

DAVISS COUNTY SCHOOL DISTRICT

***BASIC FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION***

Year Ended June 30, 2008

(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

Members of the Board of Education
Daviness County School District
Owensboro, Kentucky

Kentucky State Committee for School District Audits
Frankfort, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Daviness County School District (District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District audits in *Appendix I through III of the Independent Auditors' Contract*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Daviness County School District as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison schedules on pages 3 to 11 and 44 through 46 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements on pages 47 to 57 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards on pages 58 to 60 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the District. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Riney, Hancock & Co., PSC

Owensboro, Kentucky

October 9, 2008

Daviess County School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

The discussion and analysis of Daviess County School District's financial performance provides an overall review of the school district's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to review the school district's financial performance as a whole. Readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the school district's financial performance.

Financial Highlights

- In total, net assets increased \$442,289. Net assets of governmental activities increased by \$624,930, while net assets of business-type activities decreased by \$182,641. These variances are primarily the result of new building construction within the district, and an increase in state SEEK and local tax revenues.
- General revenues accounted for \$83,993,924 in revenue or 83.3% of all governmental revenues. Program specific revenues in the form of grants and contributions accounted for \$16,820,573 or 16.7% of total governmental revenues of \$100,814,497.
- Total assets of governmental activities increased by \$15,666,141. Capital assets increased by \$10,193,815 due to construction projects, while cash and investments increased by \$5,020,099.
- The school district had \$100,189,567 in expenses related to governmental activities; only \$16,820,573 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues (primarily local taxes and state SEEK allocations), were adequate to provide for these programs.
- Construction continued during fiscal year 2008. We completed additions and renovations at Country Heights Elementary, Sorgho Elementary and Tamarack Elementary. Additions and renovations were also in process at year end for Daviess County High, Daviess County Middle, Apollo High, College View Middle, Burns Middle, Highland Elementary, and the Transportation building. Work continued on Southern Oaks Elementary, our new school. Expenditures to date totaled \$11,702,066 which remained in construction in progress at the end of the year.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Daviess County School District as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The **Statement of Net Assets and Statement of Activities** provide information about the activities of the whole school district, presenting both an aggregate view of the school district's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the school district's

Daviess County School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

Using the Basic Financial Statements, Continued

major funds with all other non-major funds presented in total in one column. The major funds for the Daviess County School District are the General Fund, Special Revenue Fund, and FSPK Building Fund.

Reporting the School District as a Whole

One of the most important questions asked about the school district is “how did we do financially during 2008?” The **Statement of Net Assets** and the **Statement of Activities**, which appear first in the school district's financial statements, report information on the school district as a whole and its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received and paid.

These two statements report the school district's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the school district as a whole, the financial position of the school district has improved or diminished. However, the school district's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the school district's property tax base, current property tax laws in Kentucky restricting revenue growth, required educational programs and other factors.

In the **Statement of Net Assets** and the **Statements of Activities**, the school district is divided into two distinct kinds of activities:

Government Activities – most of the school district's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and other activities.

Business-Type Activities – these services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The school district's food service and after-school programs are reported as business activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the school district's major funds begins on page 14. Fund financial reports provide detailed information about the school district's major funds. The school district uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the school district's major funds.

Daviess County School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

Reporting the School District's Most Significant Funds, Continued

Governmental Funds – most of the school district's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using an accounting method called accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the school district's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds – proprietary funds use the same basis of accounting as business-type activities; therefore, the statements for the proprietary fund will essentially match.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 - 43 of this report.

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$38,202,744 for Governmental Activities and \$1,753,420 for Business-Type Activities as of June 30, 2008.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Daviess County School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

Reporting the School District's Most Significant Funds, Continued

Government-Wide Financial Analysis, Continued

(Table 1)
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>2008</u>	<u>Total</u> <u>2007</u>
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>		
Assets						
Current and other assets	\$ 19,978,281	\$14,505,955	\$1,431,347	\$1,643,263	\$ 21,409,628	\$ 16,149,218
Capital assets	<u>93,441,742</u>	<u>83,247,927</u>	<u>372,310</u>	<u>337,255</u>	<u>93,814,052</u>	<u>83,585,182</u>
Total assets	<u>113,420,023</u>	<u>97,753,882</u>	<u>1,803,657</u>	<u>1,980,518</u>	<u>115,223,680</u>	<u>99,734,400</u>
Liabilities						
Long-term liabilities	68,753,740	54,779,054	-	-	68,753,740	54,779,054
Other liabilities	<u>6,463,539</u>	<u>5,397,014</u>	<u>50,237</u>	<u>44,457</u>	<u>6,513,776</u>	<u>5,441,471</u>
Total liabilities	<u>75,217,279</u>	<u>60,176,068</u>	<u>50,237</u>	<u>44,457</u>	<u>75,267,516</u>	<u>60,220,525</u>
Net Assets						
Invested in capital assets, net of debt	27,396,116	31,194,492	372,310	337,255	27,768,426	31,531,747
Restricted	7,427,509	2,636,897	-	-	7,427,509	2,636,897
Unrestricted	<u>3,379,119</u>	<u>3,746,425</u>	<u>1,381,110</u>	<u>1,598,806</u>	<u>4,760,229</u>	<u>5,345,231</u>
Total net assets	<u>\$ 38,202,744</u>	<u>\$37,577,814</u>	<u>\$1,753,420</u>	<u>\$1,936,061</u>	<u>\$ 39,956,164</u>	<u>\$ 39,513,875</u>

Total assets increased \$15,489,280. Total net assets increased by \$442,289 due to increase in unrestricted fund balance and capital assets.

(Table 2)
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>2008</u>	<u>Total</u> <u>2007</u>
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>		
Program Revenues:						
Charges for services	\$ 589,082	\$ 535,696	\$3,427,714	\$3,332,648	\$ 4,016,796	\$ 3,868,344
Operating grants and contributions	10,718,231	10,313,212	3,370,793	3,124,880	14,089,024	13,438,092
Capital grants and contributions	5,513,260	5,839,869	-	-	5,513,260	5,839,869
General revenues:						
Taxes	25,764,510	24,272,171	-	-	25,764,510	24,272,171
State aid formula grants	42,259,169	39,096,731	-	-	42,259,169	39,096,731
Investment earnings	1,015,450	949,531	46,436	60,701	1,061,886	1,010,232
Miscellaneous	622,241	610,270	-	-	622,241	610,270
State on behalf payments	14,131,137	13,119,356	-	-	14,131,137	13,119,356

Daviess County School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

Reporting the School District's Most Significant Funds, Continued

Government-Wide Financial Analysis, Continued

(Table 2)
Net Assets, Continued

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>2008</u>	<u>Total</u> <u>2007</u>
	<u>2008</u>	<u>2007</u>	<u>2007</u>	<u>2007</u>		
Program Revenues:						
Gain on sale of equipment	120,608	-	-	-	120,608	-
Donated assets (co-op)	-	20,145	-	-	-	20,145
Transfers	<u>80,809</u>	<u>86,764</u>	<u>(80,809)</u>	<u>(86,764)</u>	<u>-</u>	<u>-</u>
Total revenues and transfers	<u>100,814,497</u>	<u>94,843,745</u>	<u>6,764,134</u>	<u>6,431,465</u>	<u>107,578,631</u>	<u>101,275,210</u>
Program expenses:						
Instruction	62,716,600	58,333,190	-	-	62,716,600	58,333,190
Support services:						
Student	3,301,967	2,836,442	-	-	3,301,967	2,836,442
Instructional staff	2,926,933	2,857,420	-	-	2,926,933	2,857,420
District administration	744,451	673,314	-	-	744,451	673,314
School administration	6,537,449	6,234,457	-	-	6,537,449	6,234,457
Business	1,676,176	1,544,441	-	-	1,676,176	1,544,441
Facility operations/maintenance	7,815,732	3,297,725	-	-	7,815,732	3,297,725
Student transportation	8,575,839	7,652,561	-	-	8,575,839	7,652,561
Non-instructional	1,008,290	940,429	-	-	1,008,290	940,429
Facility acquisition/construction	2,025,578	6,477,455	-	-	2,025,578	6,477,455
Day care	-	-	958,650	891,152	958,650	891,152
Interest on long-term debt	2,860,552	2,320,000	-	-	2,860,552	2,320,000
Food service	<u>-</u>	<u>-</u>	<u>5,988,125</u>	<u>5,575,917</u>	<u>5,988,125</u>	<u>5,575,917</u>
Total expenses and transfers	<u>100,189,567</u>	<u>93,167,434</u>	<u>6,946,775</u>	<u>6,467,069</u>	<u>107,136,342</u>	<u>99,634,503</u>
Increase (decrease) in net assets	<u>\$ 624,930</u>	<u>\$ 1,676,311</u>	<u>\$ (182,641)</u>	<u>\$ (35,604)</u>	<u>\$ 442,289</u>	<u>\$ 1,640,707</u>

Governmental Activities

Instruction comprises 62.6% of governmental program expenses. Support services expenses make up 31.5% of governmental expenses. Non-instructional expenses for community services total 1.0% of governmental expenses. Facilities acquisition/construction and interest accounts for the remaining 4.9% of the total governmental expense.

Daviess County School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2008

Reporting the School District's Most Significant Funds, Continued

Governmental Activities, Continued

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlements. The total cost of services includes state on-behalf payments in the amount of \$14,131,137 for 2008.

(Table 3)
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Instruction	\$ 62,716,600	\$58,333,190	\$54,601,694	\$50,609,923
Support services	31,578,547	25,096,360	28,246,459	21,894,109
Non-instructional	1,008,290	940,429	247,454	212,554
Facilities acquisition/construction	2,025,578	6,477,455	(2,480,441)	1,599,958
Interest on long-term debt	<u>2,860,552</u>	<u>2,320,000</u>	<u>2,753,828</u>	<u>2,162,113</u>
Total expenses	<u>\$100,189,567</u>	<u>\$93,167,434</u>	<u>\$83,368,994</u>	<u>\$76,478,657</u>

Business-Type Activities

The business-type activities are food service and after-school programs. These programs had revenues of \$6,764,134 and expenses of \$6,946,775 for fiscal year 2008. Of the revenues, \$3,427,714 was charges for services, \$3,370,793 was from state and federal grants, \$46,436 was from investment earnings, and indirect cost transfers totaled \$(80,809). Business activities receive no support from tax revenues. The school district will continue to monitor the charges and costs of these activities. If it becomes necessary, the school district will increase the charges for these activities.

The School District's Funds

Information about the school district's major funds begins on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$120,047,775 and expenditures of \$115,430,856. Net changes in fund balances for the year was most significant in the General Fund totaling \$(141,380) and Construction Fund totaling \$3,956,118.

The decrease in General Fund was due to an increase in salaries and fuel costs. The increase in Construction Fund was due to the issuance of three new bonds.

Daviess County School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

Reporting the School District's Most Significant Funds, Continued

General Fund-Budget Highlights

The school district's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. The State Department of Education requires a zero-based budget with any budgeted remaining fund balance shown as a contingency expense in the budget process.

A variance comparison is presented between the final budgeted amounts and the actual (GAAP Basis) amounts. The General Fund revenues were budgeted at \$66,075,944 with actual amounts of \$80,287,299. Budgeted expenditures of \$73,970,792 compare with actual expenditures of \$82,276,668, a difference of \$8,305,876. The source of both the revenue and expense budget variances is related to state on-behalf payments totaling \$14,131,137 which KDE requires school districts to exclude from their budget. Budgeted other financing sources was \$1,680,489, with actual financing sources of \$1,847,949. The net decrease in the General Fund balance is \$141,380.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the school district had \$93,814,052 invested in land, buildings, equipment and construction in progress, \$93,441,742 in governmental activities, and \$372,310 in business-type activities. Table 4 shows fiscal year 2008 balances compared to 2007.

(Table 4)
Capital Assets at June 30
(Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$ 3,079,547	\$ 3,079,547	\$ -	\$ -	\$ 3,079,547	\$ 3,079,547
Land improvements	899,542	895,778	13,134	13,907	912,676	909,685
Buildings and improvements	68,976,763	68,164,185	-	-	68,976,763	68,164,185
Technology equipment	4,534,188	3,622,328	22,835	36,887	4,557,023	3,659,215
Vehicles	2,782,086	2,629,991	-	-	2,782,086	2,629,991

Daviess County School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

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- In total, net assets increased \$442,289. Net assets of governmental activities increased by \$624,930, while net assets of business-type activities decreased by \$182,641. These variances are primarily the result of new building construction within the district, and an increase in state SEEK and local tax revenues.
- General revenues accounted for \$83,993,924 in revenue or 83.3% of all governmental revenues. Program specific revenues in the form of grants and contributions accounted for \$16,820,573 or 16.7% of total governmental revenues of \$100,814,497.
- Total assets of governmental activities increased by \$15,666,141. Capital assets increased by \$10,193,815 due to construction projects, while cash and investments increased by \$5,020,099.
- The school district had \$100,189,567 in expenses related to governmental activities; only \$16,820,573 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues (primarily local taxes and state SEEK allocations), were adequate to provide for these programs.
- Construction continued during fiscal year 2008. We completed additions and renovations at Country Heights Elementary, Sorgho Elementary and Tamarack Elementary. Additions and renovations were also in process at year end for Daviess County High, Daviess County Middle, Apollo High, College View Middle, Burns Middle, Highland Elementary, and the Transportation building. Work continued on Southern Oaks Elementary, our new school. Expenditures to date totaled \$11,702,066 which remained in construction in progress at the end of the year.

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Daviess County School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

District Challenges for the Future, Continued

In the past, the costs associated with growth due to increased student enrollment have been offset by additional state funding, and continued increases in business and residential property subject to taxation within the school district. Our property tax base continues to grow; however our school district, like all Kentucky school districts, is limited to a 4% annual growth in property tax revenue on existing property.

The second factor facing our school district is that of inadequate state funding. In recent years, the state has placed percentage salary increase mandates on Kentucky school districts, yet adequate funding for those mandates has not been provided. This practice, over time, will place a severe strain on the District's resources. The district maintains a contingency plan to deal with state funding shortfalls, but this will only be effective for the short-term. A long-term solution at the state level must be determined and enacted by the state legislature to ensure adequate funding for Kentucky's public school districts.

The third financial risk facing our school district is the rising retirement costs associated with employees in the County Employees Retirement System. The employer matching percentage has doubled over the last five year period. The employer matching percentage increased 2.98% in FY 2008. No additional state funding has been provided to offset this rising cost and the District has been forced to increase local funding or absorb the costs within its existing budget.

The fourth financial risk the school district faces is the rising costs of fuel which directly affects the cost to transport students. Further, utility expenses in FY 2009 are expected to be adversely impacted by increased costs in natural gas. The district has budgeted increased revenue from a 4% tax revenue increase in FY 2009 to help offset these additional costs. The state budget for pupil transportation was not increased for FY 2009 and FY 2010, and therefore, this increased cost will have to be absorbed by local tax dollars.

With careful planning and monitoring of our finances, the Daviess County School District's goals are to continue to provide a quality education for our students and to secure a positive financial future for the school district.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the school district's finances and to show the school district's accountability for the money it receives. If you have any questions about this report or need additional information, contact Matthew Robbins, Director of Business and Finance, at Daviess County Public Schools, 1622 Southeastern Parkway, P.O. Box 21510, Owensboro, KY 42304-1510, or email at mrobbins@dcps.org.

DAVISS COUNTY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 15,719,287	\$ 1,156,016	\$ 16,875,303
Investments	1,247,572	-	1,247,572
Accounts receivable:			
Taxes	926,832	-	926,832
Other	108,643	13,131	121,774
Due from other governments	1,063,218	140,920	1,204,138
Due from fiduciary funds	14,423	-	14,423
Inventory	478,756	121,280	600,036
Prepays and other current assets	12,062	-	12,062
Capital assets, net	93,441,742	372,310	93,814,052
Deferred debt issuance costs	407,488	-	407,488
	Total assets	1,803,657	115,223,680
LIABILITIES			
Accounts payable	770,302	1,243	771,545
Accrued salaries and benefits	3,770,351	-	3,770,351
Payroll withholdings	778,438	-	778,438
Accrued interest payable	680,281	-	680,281
Deferred revenue	464,167	48,994	513,161
Long-term liabilities:			
Due within one year	5,870,053	-	5,870,053
Due in more than one year	62,883,687	-	62,883,687
	Total liabilities	50,237	75,267,516
NET ASSETS			
Invested in capital assets, net of related debt	27,396,116	372,310	27,768,426
Restricted for:			
Capital projects	7,427,509	-	7,427,509
Unrestricted	3,379,119	1,381,110	4,760,229
	Total net assets	\$ 1,753,420	\$ 39,956,164

DAVISS COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

Functions, Programs Governmental activities:	Program Revenues				Net (Expense) Revenue and Change in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Instruction	\$ 62,716,600	\$ 257,495	\$ 6,956,894	\$ 900,517	\$ (54,601,694)		\$ (54,601,694)
Support services:							
Student	3,301,967	-	712,554	-	(2,589,413)		(2,589,413)
Instructional staff	2,926,933	-	1,654,036	-	(1,272,897)		(1,272,897)
District administration	744,451	-	934	-	(743,517)		(743,517)
School administration	6,537,449	-	118,802	-	(6,418,647)		(6,418,647)
Business	1,676,176	-	-	-	(1,676,176)		(1,676,176)
Plant operation and maintenance	7,815,732	30,509	-	-	(7,785,223)		(7,785,223)
Student transportation	8,575,839	301,078	514,175	-	(7,760,586)		(7,760,586)
Community services	1,008,290	-	760,836	-	(247,454)		(247,454)
New building construction	135,623	-	-	-	(135,623)		(135,623)
Building renovations - additions	1,889,955	-	-	4,506,019	2,616,064		2,616,064
Interest on long-term liabilities	2,860,552	-	-	106,724	(2,753,828)		(2,753,828)
Total governmental activities	100,189,567	589,082	10,718,231	5,513,260	(83,368,994)		(83,368,994)
Business-type activities:							
Food service	5,988,125	2,545,849	3,318,473	-		\$ (123,803)	(123,803)
After school program	958,650	881,865	52,320	-		(24,465)	(24,465)
Total business-type activities	6,946,775	3,427,714	3,370,793	-		(148,268)	(148,268)
Total district	\$ 107,136,342	\$ 4,016,796	\$ 14,089,024	\$ 5,513,260	(83,368,994)	(148,268)	(83,517,262)
General revenues:							
Property taxes					22,109,086	-	22,109,086
Utility taxes					3,655,424	-	3,655,424
State aid formula grants					42,259,169	-	42,259,169
On-behalf payments					14,131,137	-	14,131,137
Investment earnings					1,015,450	46,436	1,061,886
Gain on sale of capital assets					120,608	-	120,608
Miscellaneous					622,241	-	622,241
Transfers					80,809	(80,809)	-
Total general revenues and transfers					83,993,924	(34,373)	83,959,551
Change in net assets					624,930	(182,641)	442,289
Net assets, June 30, 2007					37,577,814	1,936,061	39,513,875
Net assets, June 30, 2008					38,202,744	1,753,420	39,956,164

DAVISS COUNTY SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2008

	General Fund	Special Revenue Fund	FSPK Building Fund	Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 7,468,887	\$ -	\$ 2,597,419	\$ 5,652,981	\$ -	\$ 15,719,287
Investments	1,247,572	-	-	-	-	1,247,572
Accounts receivable:						
Taxes	926,832	-	-	-	-	926,832
Other	108,643	-	-	-	-	108,643
Due from other governments	176,014	887,204	-	-	-	1,063,218
Due from other funds	441,213	-	-	-	-	441,213
Inventory	478,756	-	-	-	-	478,756
Prepaid expenses	736	-	-	-	-	736
Total assets	\$ 10,848,653	\$ 887,204	\$ 2,597,419	\$ 5,652,981	\$ -	\$ 19,986,257
LIABILITIES AND FUND BALANCES						
Current liabilities:						
Accounts payable	\$ 52,577	\$ 7,537	\$ -	\$ 710,188	\$ -	\$ 770,302
Due to other funds	-	314,087	-	112,703	-	426,790
Accrued salaries and benefits	3,770,351	-	-	-	-	3,770,351
Payroll withholdings	778,438	-	-	-	-	778,438
Deferred revenue	174,308	464,167	-	-	-	638,475
Total current liabilities	4,775,674	785,791	-	822,891	-	6,384,356
Fund Balances:						
Reserved for:						
Inventory	478,756	-	-	-	-	478,756
Encumbrances	510,709	9,783	-	4,533,098	-	5,053,590
Site based councils	212,071	-	-	-	-	212,071
Technology	-	101,413	-	-	-	101,413
Construction	-	-	2,597,419	296,992	-	2,894,411
Unreserved	4,871,443	(9,783)	-	-	-	4,861,660
Total fund balances	6,072,979	101,413	2,597,419	4,830,090	-	13,601,901
Total liabilities and fund balances	\$ 10,848,653	\$ 887,204	\$ 2,597,419	\$ 5,652,981	\$ -	\$ 19,986,257

DAVISS COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2008

Total fund balances - governmental funds \$ 13,601,901

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds:

Cost	\$ 144,089,932	
Accumulated depreciation	<u>(50,648,190)</u>	93,441,742

Certain assets not available to pay for current period expenditures:

Taxes receivable	\$ 174,308	
Accrued interest receivable	11,326	
Deferred bond issuance costs	<u>407,488</u>	593,122

Long-term liabilities are not due and payable in the current period, and therefore are not reported as liabilities in governmental funds:

Bonds payable	\$ (65,295,000)	
Issuance premiums	(3,383)	
Issuance discounts	777,717	
Deferred refunding charges	1,195,123	
Note payable	(54,416)	
Capital lease obligations	(2,665,667)	
Compensated absences	(2,708,114)	
Accrued interest payable	<u>(680,281)</u>	<u>(69,434,021)</u>

Net assets of governmental activities \$ 38,202,744

DAVISS COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year Ended June 30, 2008

	General Fund	Special Revenue Fund	FSPK Building Fund	Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Property taxes	\$ 18,094,490	\$ -	\$ 4,058,875	\$ -	\$ -	\$ 22,153,365
Utility taxes	3,655,424	-	-	-	-	3,655,424
Tuition and fees	106,244	-	-	-	-	106,244
Earnings on investments	718,864	-	5,000	311,463	-	1,035,327
Other local revenue	1,024,606	491,735	-	-	-	1,516,341
State aid	56,538,719	5,330,309	2,311,634	-	2,301,109	66,481,771
Federal aid	148,952	5,579,812	-	-	-	5,728,764
Total revenues	<u>80,287,299</u>	<u>11,401,856</u>	<u>6,375,509</u>	<u>311,463</u>	<u>2,301,109</u>	<u>100,677,236</u>
Expenditures:						
Instruction	54,067,110	9,003,713	-	-	-	63,070,823
Support services:						
Student	2,735,817	563,602	-	-	-	3,299,419
Instructional staff	2,114,953	810,833	-	-	-	2,925,786
District administration	695,672	934	-	-	-	696,606
School administration	6,534,554	-	-	-	-	6,534,554
Business	1,675,894	-	-	309	-	1,676,203
Plant operation and maintenance	6,527,811	-	-	-	1,000,081	7,527,892
Student transportation	7,637,346	480,236	-	-	-	8,117,582
Community services	247,041	760,835	-	-	-	1,007,876
New building construction	-	-	2,500	9,121,344	-	9,123,844
Building renovations / additions	40,470	-	-	4,738,935	-	4,779,405
Debt service:						
Principal	-	-	-	-	4,421,528	4,421,528
Interest	-	-	2,610	-	2,246,728	2,249,338
Total expenditures	<u>82,276,668</u>	<u>11,620,153</u>	<u>5,110</u>	<u>13,860,588</u>	<u>7,668,337</u>	<u>115,430,856</u>
Excess (deficit) of revenues over (under) expenditures	<u>(1,989,369)</u>	<u>(218,297)</u>	<u>6,370,399</u>	<u>(13,549,125)</u>	<u>(5,367,228)</u>	<u>(14,753,620)</u>
Other financing sources (uses):						
Proceeds from sale of capital assets	128,562	-	-	-	-	128,562
Proceeds from issuance of bonds	-	-	-	17,755,000	-	17,755,000
Proceeds from issuance of capital leases	1,831,648	-	-	-	-	1,831,648
Refunding bonds issued	-	-	-	-	2,960,000	2,960,000
Payment to bond refunding escrow	-	-	-	-	(2,907,162)	(2,907,162)
Discount on bonds issued	-	-	-	(321,960)	(31,788)	(353,748)
Bond issuance costs	-	-	-	(103,520)	(21,050)	(124,570)
Operating transfers in	132,672	237,847	-	175,723	5,367,228	5,913,470
Operating transfers out	(244,893)	(51,863)	(5,535,905)	-	-	(5,832,661)
Total other financing sources (uses)	<u>1,847,989</u>	<u>185,984</u>	<u>(5,535,905)</u>	<u>17,505,243</u>	<u>5,367,228</u>	<u>19,370,539</u>
Net change in fund balances	(141,380)	(32,313)	834,494	3,956,118	-	4,616,919
Fund balance, June 30, 2007	<u>6,214,359</u>	<u>133,726</u>	<u>1,762,925</u>	<u>873,972</u>	<u>-</u>	<u>8,984,982</u>
Fund balance, June 30, 2008	<u>\$ 6,072,979</u>	<u>\$ 101,413</u>	<u>\$ 2,597,419</u>	<u>\$ 4,830,090</u>	<u>\$ -</u>	<u>\$ 13,601,901</u>

DAVIESS COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

Net change in fund balances - total governmental funds \$ 4,616,919

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense :

Capital outlays	\$ 15,285,136	
Depreciation expense	<u>(5,083,367)</u>	10,201,769

Governmental funds report the disposal of capital assets to the extent proceeds
are received. However, the statement of activities reports the gain or loss. (7,954)

Revenues in the statement of activities that do not provide current financial resources
are not reported as revenues in the funds:

Decrease in taxes receivable	\$ (44,279)	
Decrease in accrued interest receivable	<u>(19,877)</u>	(64,156)

The issuance of long-term debt provides current financial resources to governmental
funds, while the repayment of the principal of long-term debt consumes the
current financial resources of governmental funds. Neither transaction, however,
has any effect on net assets. Also, governmental funds report the effect of
issuance costs and similar items when debt is first issued, whereas these
amounts are deferred and amortized in the statement of activities:

Principal payments on bonds	\$ 4,415,000	
Principal payments on notes payable	6,528	
Principal payments on lease obligations	1,037,958	
Proceeds from issuance of bonds	(20,715,000)	
Proceeds from issuance of capital leases	(1,773,838)	
Proceeds from issuance of note payable	(57,810)	
Payment to bond refunding escrow	2,907,162	
Discount on bonds issued	353,748	
Bond issuance costs	124,570	
Amortization of discounts on debt	(32,463)	
Amortization of premiums on debt	423	
Amortization of deferred refunding charges	(133,899)	
Amortization of deferred issuance costs	<u>(25,297)</u>	(13,892,918)

Certain expenses reported in the statement of activities do not require the use of
current financial resources, and therefore are not reported as expenditures in
governmental funds:

Decrease in vacation liability	\$ 58,860	
Increase in accrued sick leave liability	(41,355)	
Increase in accrued interest	<u>(246,235)</u>	<u>(228,730)</u>

Change in net assets of governmental activities \$ 624,930

DAVIESS COUNTY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

June 30, 2008

	Enterprise Funds		
	Food Service Fund	After School Fund	Total
ASSETS			
Current assets:			
Cash	\$ 988,550	\$ 167,466	\$ 1,156,016
Accounts receivable:			
Operating	-	13,131	13,131
Due from other governments	140,920	-	140,920
Inventory	121,280	-	121,280
Total current assets	1,250,750	180,597	1,431,347
Noncurrent assets:			
Capital assets	2,226,863	114,404	2,341,267
Less accumulated depreciation	(1,900,803)	(68,154)	(1,968,957)
Total noncurrent assets	326,060	46,250	372,310
Total assets	1,576,810	226,847	1,803,657
LIABILITIES			
Current liabilities:			
Accounts payable	1,066	177	1,243
Deferred revenue	41,265	7,729	48,994
Total current liabilities	42,331	7,906	50,237
NET ASSETS			
Invested in capital assets	326,060	46,250	372,310
Unrestricted	1,208,419	172,691	1,381,110
Total net assets	\$ 1,534,479	\$ 218,941	\$ 1,753,420

See Notes to Financial Statements

DAVISS COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

Year Ended June 30, 2008

	Enterprise Funds		
	Food Service Fund	After School Fund	Total
Operating revenues:			
Charges for services	\$ 2,492,678	\$ 879,856	\$ 3,372,534
Other operating revenues	53,171	2,009	55,180
Total operating revenues	2,545,849	881,865	3,427,714
Operating expenses:			
Salaries and wages	1,933,305	713,578	2,646,883
Employee benefits	516,698	112,898	629,596
Professional and technical services	3,800	-	3,800
Property services	57,303	2,670	59,973
Other purchased services	98,795	3,483	102,278
Supplies and materials	3,242,051	108,962	3,351,013
Property	38,037	1,068	39,105
Miscellaneous	27,330	2,228	29,558
Depreciation	69,327	13,720	83,047
Loss on disposal of assets	1,479	43	1,522
Total operating expenses	5,988,125	958,650	6,946,775
Operating loss	(3,442,276)	(76,785)	(3,519,061)
Nonoperating revenues (expenses):			
Government grants	2,918,331	52,320	2,970,651
Donated commodities	400,142	-	400,142
Interest income	39,011	7,425	46,436
Total nonoperating revenues (expenses)	3,357,484	59,745	3,417,229
Loss before transfers	(84,792)	(17,040)	(101,832)
Transfers out	(80,809)	-	(80,809)
Change in net assets	(165,601)	(17,040)	(182,641)
Net assets, June 30, 2007	1,700,080	235,981	1,936,061
Net assets, June 30, 2008	\$ 1,534,479	\$ 218,941	\$ 1,753,420

DAVIESS COUNTY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2008

	Enterprise Funds		
	Food Service Fund	After School Fund	Total
Cash flows from operating activities:			
Cash received from:			
Charges for services	\$ 2,426,319	\$ 882,692	\$ 3,309,011
Other operating revenues	121,888	2,009	123,897
Cash paid to / for:			
Employees	(2,450,003)	(826,476)	(3,276,479)
Supplies	(2,778,274)	(108,962)	(2,887,236)
Other services	(228,322)	(10,043)	(238,365)
Net cash used in operating activities	<u>(2,908,392)</u>	<u>(60,780)</u>	<u>(2,969,172)</u>
Cash flows from noncapital financing activities:			
Government grants	2,918,010	52,320	2,970,330
Transfers out	<u>(80,809)</u>	<u>-</u>	<u>(80,809)</u>
Net cash provided by noncapital financing activities	<u>2,837,201</u>	<u>52,320</u>	<u>2,889,521</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(117,066)</u>	<u>(2,558)</u>	<u>(119,624)</u>
Net cash used in capital and related financing activities	<u>(117,066)</u>	<u>(2,558)</u>	<u>(119,624)</u>
Cash flows from investing activities:			
Interest income	<u>39,011</u>	<u>7,425</u>	<u>46,436</u>
Net cash provided by investing activities	<u>39,011</u>	<u>7,425</u>	<u>46,436</u>
Net decrease in cash and cash equivalents	<u>(149,246)</u>	<u>(3,593)</u>	<u>(152,839)</u>
Cash and cash equivalents:			
Beginning of year	<u>1,137,796</u>	<u>171,059</u>	<u>1,308,855</u>
End of year	<u>\$ 988,550</u>	<u>\$ 167,466</u>	<u>\$ 1,156,016</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (3,442,276)	\$ (76,785)	\$ (3,519,061)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation expense	69,327	13,720	83,047
Loss on disposal of assets	1,479	43	1,522
Commodities used	400,142	-	400,142
Changes in assets and liabilities:			
Accounts receivable - operating	-	(3,631)	(3,631)
Inventory	64,592	-	64,592
Accounts payable	(4,014)	(594)	(4,608)
Due to other funds	(1,563)	-	(1,563)
Deferred revenue	3,921	6,467	10,388
Net cash used in operating activities	<u>\$ (2,908,392)</u>	<u>\$ (60,780)</u>	<u>\$ (2,969,172)</u>

Noncash noncapital financing activities:

During the year, the Food Service Fund received \$400,142 in food commodities from the U. S. Department of Agriculture.

DAVIESS COUNTY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

June 30, 2008

	Private Purpose Trust Funds	Activity Funds
	<u> </u>	<u> </u>
ASSETS		
Cash	\$ -	\$ 1,291,989
Accounts receivable	-	7,051
Inventory	-	37,557
	<u> </u>	<u> </u>
Total assets	<u> </u> -	<u> </u> 1,336,597
LIABILITIES		
Accounts payable	-	13,556
Due to General Fund	-	14,423
Due to student groups	-	1,308,618
	<u> </u>	<u> </u>
Total liabilities	<u> </u> -	<u> </u> 1,336,597
NET ASSETS	<u> </u> \$ -	<u> </u> \$ -

DAVIESS COUNTY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Year Ended June 30, 2008

	<u>Private Purpose Trust Funds</u>
Additions:	
Contributions	\$ 1,500
Deductions:	
Student support services	<u>1,500</u>
Increase (decrease) in net assets	-
Net assets, June 30, 2007	<u>-</u>
Net assets, June 30, 2008	<u><u>\$ -</u></u>

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

1. Reporting Entity

The Daviess County Board of Education (Board) is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Daviess County School District (District). The District receives funding from local, state, and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*, as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Daviess County School District. The financial statements presented herein do not include funds of groups and organizations which, although associated with the school system, have not originated within the District itself, such as band boosters and parent-teacher associations. The District is not involved in budgeting or managing these organizations, is not responsible for any debt of the organizations, and has no influence over the operation of the organizations.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the District. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Daviess County School District Finance Corporation – The Daviess County School District Finance Corporation serves as an agent of the Board in financing the acquisition, construction, and equipping of school buildings and related facilities, including the issuance of bonds. Members of the Board serve as the board of directors for the Corporation. The Corporation has no financial activity, and transactions related to bond issues in which the Corporation acts as agent are recorded in the District’s government-wide financial statements.

2. Summary of Significant Accounting Policies

Basis of Presentation

Government-Wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

2. Summary of Significant Accounting Policies, Continued

Basis of Presentation, Continued

financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the changes in net total assets.

Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances the cash flow needs of its proprietary activities.

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

2. **Summary of Significant Accounting Policies, Continued**

Basis of Presentation, Continued

The District has the following funds:

Governmental Fund Types

The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.

The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances may be returned to the grantor at the close of the specified project periods, as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by proprietary funds).

The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.

The Facility Support Program of Kentucky (FSPK) Building Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan. This is a major fund of the District.

The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

DAVIESS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

2. Summary of Significant Accounting Policies, Continued

Basis of Presentation, Continued

Governmental Fund Types, Continued

The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest.

Proprietary Fund Types (Enterprise Funds)

The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contributions of commodities from the USDA. This is a major fund of the District.

The After School Fund is used to account for after school programs established to provide supervised activities for students in the afternoon.

The District applies all Governmental Accounting Standards Board (GASB) pronouncements to proprietary funds, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals and childcare provided at the various schools.

Fiduciary Fund Types

Private Purpose Trust Funds account for assets held by the District in a trustee capacity.

The Activity Funds are agency funds which primarily account for activities of student groups. These funds are accounted for in accordance with the Accounting Procedures for Kentucky School Activity Funds. These funds are custodial in nature and thus do not present results of operations or have a measurement focus.

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

2. Summary of Significant Accounting Policies, Continued

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-Exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year end.

Non-Exchange Transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from Non-Exchange Transactions must also be available before they can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the costs have been earned and eligibility requirements are met, are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy is to first apply restricted resources.

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

2. Summary of Significant Accounting Policies, Continued

Basis of Accounting, Continued

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Budgetary Principles

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when the obligation is incurred (GAAP).

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. A reservation of fund balance equal to outstanding encumbrances at year-end is provided for at June 30, 2008.

Cash and Cash Equivalents

The Board considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less to be cash equivalents.

Accounts Receivable

Receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectable accounts are based upon historical trends. Major receivable balances for the governmental activities include federal and state funding and taxes. Amounts on the statements are net of allowance for doubtful accounts.

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

2. Summary of Significant Accounting Policies, Continued

Inventories

Inventory in the General Fund consists of maintenance, instructional, and transportation supplies, stated at cost using the first-in, first-out (FIFO) method. Inventory in the Food Service Fund consists of purchased food valued at cost, and donated commodities valued by the U.S. Department of Agriculture at fair market value on the date of donation, using the FIFO method.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds and generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at fair market value as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
Vehicles	5-10 years
General equipment	10-20 years
Food service equipment	12 years

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

2. Summary of Significant Accounting Policies, Continued

Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and personal property in the District. Taxes are due in one installment on December 1 and become delinquent by January 1 following the levy date.

The assessed value of the roll on January 1, 2007, on which the levy for the 2008 fiscal year was based, totaled \$4,058,875,020. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The tax rates assessed for the year ended June 30, 2008, to finance General Fund and FSPK Building Fund operations were 43.7 cents and 11.4 cents per \$100 valuation, respectively, for a total of 55.1 cents per \$100 valuation. In addition, the tax rate assessed for motor vehicles totaled 49.0 cents per \$100 valuation.

The District also levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishing within the county of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial, and mixed gas.

Interfund Receivables and Payables

Each fund is a distinct fiscal and accounting entity, and thus interfund transactions are recorded in each fund affected by a transaction. During the year the General Fund receives and disburses funds that relate to other funds or activities. Transfers are then made between the various funds to more properly reflect the nature of the transactions.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

3. Deposits and Investments

Deposits

The Kentucky Revised Statutes authorize the District to invest money subject to its control in obligations of the United States; bonds or certificates of indebtedness of Kentucky and its agencies and instrumentalities; savings and loan associations insured by an agency of the United States up to the amount insured; and national or state banks chartered in Kentucky and insured by an agency of the United States providing such banks pledge as security obligations, as permitted by KRS 41.240 (4), having a current quoted market value at least equal to uninsured deposits.

The District maintains a common checking account for all governmental funds and the trust fund. The Food Service Fund and After School Fund (proprietary funds) each maintain separate bank accounts.

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

At June 30, 2008, \$1,067,036 of the District's bank balances of \$1,167,036 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	-
Uninsured and collateral held by pledging financial institution's trust department or agent in other than the District's name		<u>1,067,036</u>
	\$	<u>1,067,036</u>

Due to the nature of the accounts and limitations imposed by the purposes of the various funds, all cash balances are considered to be restricted except for the General Fund.

Investments

The District may legally invest in certificates of deposit and other interest bearing accounts insured by the Federal Deposit Insurance Corporation (FDIC), uncollateralized certificates of deposit rated in one of the three highest categories by a nationally recognized rating agency; obligations of the United States and of its agencies and instrumentalities, including any corporation of the United States government, bonds or certificates of indebtedness of the State of Kentucky and any of its agencies and instrumentalities; or securities issued by a state or local government or any instrumentalities or agency thereof in the United States and rated in one of

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

3. Deposits and Investments, Continued

Investments, Continued

the three highest categories by a nationally recognized rating agency; commercial paper rated in the highest category by a nationally recognized rating agency and certain mutual funds as more fully described in KRS 66.480. All of the investments of the District are held in U.S. government agency obligations, which carry the explicit guarantee of the U.S. government.

At June 30, 2008, the District had the following investments and maturities:

Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More than 10
U.S. agencies obligations	\$ 1,247,572	\$ 390,505	\$ 450,925	\$ 94,351	\$ 311,791

Concentration of Credit Risk

The District, in accordance with KRS 66.480, limits the amount that may be invested at any time in uncollateralized certificates of deposit, bankers acceptances, commercial paper and securities issued by a state or local government or any instrumentality or agency thereof, to 20% of the total amount of funds invested by the District. At June 30, 2008, the District did not hold any investments of this type.

Investment Earnings

Investment earnings for the year ended June 30, 2008, consisted of:

Governmental activities:	
Interest and dividend income	\$ 971,537
Net increase in fair value of investments	37,787
Realized gain on sale of investments	15,069
Investment expenses	<u>(8,943)</u>
	1,015,450
Business-type activities:	
Interest and dividend income	<u>46,436</u>
	\$ <u>1,061,886</u>

Realized gains or losses on investments that had been held in more than one fiscal year and sold in the current year were included as a net change in the fair value of investments reported in prior years and the current year.

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

4. Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows:

	<u>Balance</u> <u>June 30, 2007</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2008</u>
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 3,079,547	\$ -	\$ -	\$ 3,079,547
Construction in progress	<u>3,317,983</u>	<u>11,877,672</u>	<u>(3,493,589)</u>	<u>11,702,066</u>
 Total capital assets, not being depreciated	 <u>6,397,530</u>	 <u>11,877,672</u>	 <u>(3,493,589)</u>	 <u>14,781,613</u>
 Capital assets, being depreciated:				
Land improvements	2,264,805	108,409	-	2,373,214
Buildings and improvements	102,190,041	3,493,589	-	105,683,630
Technology equipment	7,828,762	2,461,785	(626,411)	9,664,136
Vehicles	7,805,409	674,049	(315,512)	8,163,946
General equipment	<u>3,269,505</u>	<u>163,221</u>	<u>(9,333)</u>	<u>3,423,393</u>
 Totals capital assets, being depreciated	 <u>123,358,522</u>	 <u>6,901,053</u>	 <u>(951,256)</u>	 <u>129,308,319</u>
 Less accumulated depreciation:				
Land improvements	(1,369,027)	(104,645)	-	(1,473,672)
Buildings and improvements	(34,025,856)	(2,681,011)	-	(36,706,867)
Technology equipment	(4,206,434)	(1,548,405)	624,891	(5,129,948)
Vehicles	(5,175,418)	(521,954)	315,512	(5,381,860)
General equipment	<u>(1,731,390)</u>	<u>(227,352)</u>	<u>2,899</u>	<u>(1,955,843)</u>
 Total accumulated depreciation	 <u>(46,508,125)</u>	 <u>(5,083,367)</u>	 <u>943,302</u>	 <u>(50,648,190)</u>
 Total capital assets, being depreciated, net	 <u>76,850,397</u>	 <u>1,817,686</u>	 <u>(7,954)</u>	 <u>78,660,129</u>
 Governmental activities:				
Capital assets, net	<u>\$ 83,247,927</u>	<u>\$ 13,695,358</u>	<u>\$ (3,501,543)</u>	<u>\$ 93,441,742</u>
 <u>Business-type activities:</u>				
Capital assets, being depreciated:				
Land improvements	\$ 15,452	\$ -	\$ -	\$ 15,452
Technology equipment	302,757	2,523	(3,305)	301,975
Vehicles	18,557	-	-	18,557
General equipment	<u>1,899,547</u>	<u>117,101</u>	<u>(11,365)</u>	<u>2,005,283</u>
 Total capital assets, being depreciation	 <u>2,236,313</u>	 <u>119,624</u>	 <u>(14,670)</u>	 <u>2,341,267</u>

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

4. Capital Assets, Continued

	<u>Balance</u> <u>June 30, 2007</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2008</u>
<u>Business-type activities, Continued:</u>				
Less accumulated depreciation:				
Land improvements	(1,545)	(773)	-	(2,318)
Technology equipment	(265,870)	(16,532)	3,262	(279,140)
Vehicles	(18,557)	-	-	(18,557)
General equipment	<u>(1,613,086)</u>	<u>(65,742)</u>	<u>9,886</u>	<u>(1,668,942)</u>
 Total accumulated depreciation	 <u>(1,899,058)</u>	 <u>(83,047)</u>	 <u>13,148</u>	 <u>(1,968,957)</u>
 Business-type activities:				
Capital assets, net	\$ <u>337,255</u>	\$ <u>36,577</u>	\$ <u>(1,522)</u>	\$ <u>372,310</u>

Depreciation expense was charged to governmental functions as follows:

Instructional	\$ 3,430,753
Support services:	
Student	66
Instructional staff	6,976
District administration	66,636
Plant operations and maintenance	498,974
Student transportation	<u>1,079,962</u>
 Total depreciation expense	 \$ <u>5,083,367</u>

5. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

	<u>Balance</u> <u>June 30,</u> <u>2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30,</u> <u>2008</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental activities:</u>					
<u>Long-term debt:</u>					
School building revenue bonds	\$ 51,705,000	\$ 20,715,000	\$ (7,125,000)	\$ 65,295,000	\$ 4,240,000
<u>Deferred amounts:</u>					
For issuance premiums	3,806	-	(423)	3,383	-
For issuance discounts	(456,432)	(353,748)	32,463	(777,717)	-
On refunding	(1,131,860)	(197,162)	133,899	(1,195,123)	-
Notes payable	3,134	57,810	(6,528)	54,416	13,860
Capital lease obligations	<u>1,929,787</u>	<u>1,773,838</u>	<u>(1,037,958)</u>	<u>2,665,667</u>	<u>1,090,888</u>
 Total long-term debt	 <u>52,053,435</u>	 <u>21,995,738</u>	 <u>(8,003,547)</u>	 <u>66,045,626</u>	 <u>5,344,748</u>

DAVIESS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

5. Long-Term Liabilities, Continued

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008	Due Within One Year
Compensated absences:					
Accrued vacation pay	244,190	195,093	(253,953)	185,330	185,330
Accrued sick leave	2,481,429	514,653	(473,298)	2,522,784	339,975
Total compensated absences	2,725,619	709,746	(727,251)	2,708,114	525,305
Total long-term liabilities	\$ 54,779,054	\$ 22,705,484	\$ (8,730,798)	\$ 68,753,740	\$ 5,870,053

Compensated absences are generally liquidated by the General Fund.

School Building Revenue Bonds

The District is obligated to make lease payments in amounts equal to annual debt service requirements on bonds issued by the Daviess County Fiscal Court, the Daviess County School District Finance Corporation and the Kentucky School Facility Construction Commission (Commission) to construct or renovate school facilities. The Board has an option to purchase the properties at any time by retiring the bonds outstanding. These lease payments are recorded in the Debt Service Funds.

In addition, the District has entered into participation agreements with the Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs.

A summary of the interest rates, maturities, and balances as of June 30, 2008, is as follows:

	Range of Interest Rates	Final Maturity	Balance, June 30, 2008		
			District	Commission	Total
1998 Issue	3.80 – 4.400%	2011	\$ 268,204	\$ 1,161,796	\$ 1,430,000
2000 Issue	5.00 – 5.375%	2020	585,000	-	585,000
2002A Issue	2.00 – 4.400%	2012	1,858,787	106,213	1,965,000
2002B Issue	2.00 – 3.750%	2014	3,555,000	-	3,555,000
2003 Issue	1.65 – 4.000%	2023	9,795,000	-	9,795,000
2004A Issue	2.00 – 3.625%	2015	920,511	119,489	1,040,000
2004B Issue	2.00 – 3.625%	2016	8,980,000	-	8,980,000
2004C Issue	2.00 – 5.000%	2024	5,405,000	-	5,405,000
2005A Issue	3.00 – 4.400%	2025	2,270,000	-	2,270,000
2005B Issue	3.50 – 3.750%	2017	2,289,192	300,808	2,590,000
2006 Issue	4.21%	2026	3,100,000	-	3,100,000
2007A Issue	4.21%	2027	3,865,000	-	3,865,000
2007B Issue	4.00 – 4.500%	2027	12,235,000	-	12,235,000

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

5. Long-Term Liabilities, Continued

School Building Revenue Bonds, Continued

	Range of Interest Rates	Final Maturity	Balance, June 30, 2008		
			<u>District</u>	<u>Commission</u>	<u>Total</u>
2008A Issue	3.00 – 3.400%	2020	2,960,000	-	2,960,000
2008B Issue	3.00 – 3.750%	2028	5,520,000	-	5,520,000
			\$ 63,606,694	\$ 1,688,306	\$ 65,295,000

A summary of District and Commission bond activity for the year ended June 30, 2007, is as follows:

	<u>District</u>	<u>Commission</u>	<u>Total</u>
Balance, June 30, 2007	\$ 48,822,390	\$ 2,882,610	\$ 51,705,000
Issued	20,715,000	-	20,715,000
Defeased	(2,710,000)	-	(2,710,000)
Retired	(3,220,696)	(1,194,304)	(4,415,000)
Balance, June 30, 2008	\$ 63,606,694	\$ 1,688,306	\$ 65,295,000

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District and amounts to be paid by the Commission, at June 30, 2008, for debt service (principal and interest) are as follows:

DAVIESS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

5. Long-Term Liabilities, Continued

School Building Revenue Bonds, Continued

Year Ending June 30,	Daviness County School District			Kentucky School Facility Construction Commission			Total
	Principal	Interest	District Total	Principal	Interest	Commission Total	
2009	\$ 3,679,971	\$ 2,400,996	\$ 6,080,967	\$ 560,029	\$ 69,003	\$ 629,032	\$ 6,709,999
2010	3,794,640	2,289,374	6,084,014	585,360	45,114	630,474	6,714,488
2011	3,921,844	2,160,144	6,081,988	228,156	19,934	248,090	6,330,078
2012	3,970,669	2,020,687	5,991,356	74,331	10,460	84,791	6,076,147
2013	4,101,382	1,885,358	5,986,740	48,618	8,316	56,934	6,043,674
2014- 2018	16,893,188	7,370,989	24,264,177	191,812	16,168	207,980	24,472,157
2019- 2023	16,970,000	4,143,892	21,113,892	-	-	-	21,113,892
2024- 2028	10,275,000	959,232	11,234,232	-	-	-	11,234,232
	<u>\$ 63,606,694</u>	<u>\$ 23,230,672</u>	<u>\$ 86,837,366</u>	<u>\$ 1,688,306</u>	<u>\$ 168,995</u>	<u>\$ 1,857,301</u>	<u>\$ 88,694,667</u>

Generally, all bonds issued are secured by a statutory mortgage lien on the respective school buildings and appurtenant properties, including any subsequent additions thereto. The amount of interest expense on bonds payable for the year ended June 30, 2008, totaled \$2,686,294, of which \$2,579,570 was paid by the District and \$106,724 was paid by the Commission.

In February 2008, the District issued \$2,960,000 in Refunding Revenue Bonds to advance refund \$2,710,000 of outstanding 2000 series bonds. The proceeds, less a discount of \$31,788, underwriting fees of \$21,050, insurance, and other issuance costs were used to purchase \$2,904,338 in U.S. government securities and \$2,824 in cash. Those securities and cash were deposited in an irrevocable trust with an escrow agent to provide for the defeasance of the 2000 bond series scheduled to begin maturity on October 1, 2011. As a result, the 2000 bond series scheduled to begin maturity on October 1, 2011, is considered to be defeased and the liability for those bonds has been removed from long-term liabilities.

The district advance refunded the 2000 series bonds to reduce its total debt service payments over the next 12 years by approximately \$206,575 and to obtain an economic gain (difference between present values of the debt service payments on the old and new debt) of approximately \$171,757.

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

5. Long-Term Liabilities, Continued

School Building Revenue Bonds, Continued

In prior years, the District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. On June 30, 2008, \$21,335,000 of bonds outstanding are considered defeased.

Note Payable

The District had the following note payable June 30, 2008:

Note payable to BB&T Company in quarterly installments of \$3,873, including interest at 3.310% until February 2012 (secured by vehicles)	\$ 54,416
Less current maturities	<u>13,860</u>
	<u>\$ 40,556</u>

Interest expense on notes payable for the year ended June 30, 2008, totaled \$518.

The debt service requirements as of June 30, 2008, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 13,860	\$ 1,630	\$ 15,490
2010	14,324	1,166	15,490
2011	14,804	686	15,490
2012	<u>11,428</u>	<u>190</u>	<u>11,618</u>
	<u>\$ 54,416</u>	<u>\$ 3,672</u>	<u>\$ 58,088</u>

Capital Lease Obligations

The District is obligated under leases for equipment that are accounted for as capital leases. Assets under capital leases at June 30, 2008, totaled \$2,394,516, net of accumulated depreciation of \$1,844,501. Amortization of these capital leases included in depreciation expense totaled \$814,088 for the year ended June 30, 2008. The following is a schedule by year of future minimum lease payments under capital lease obligations including interest at rates of 3.35% to 9.27%, together with the present value of the future minimum lease payments as of June 30, 2008:

DAVIESS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

5. Long-Term Liabilities, Continued

Capital Lease Obligations, Continued

2009		\$ 1,211,385
2010		937,845
2011		<u>726,353</u>
Total minimum lease payments		2,875,583
Less amount representing interest		<u>209,916</u>
Present value of future minimum lease payments		<u>\$ 2,665,667</u>

Interest expense on capital lease obligations for the year ended June 30, 2008, totaled \$173,225.

Compensated Absences

Upon retirement, as defined by the Kentucky Teachers' Retirement System or the County Employees Retirement System, certified and classified employees received an amount equal to 30% of the value of accumulated sick leave based on the individual final salary. This liability totaled \$2,522,784 at June 30, 2008, and is recorded as a long-term liability in the district-wide financial statements. A liability for unused vacation days earned by classified employees totaling \$185,330 has also been accrued in the district-wide financial statements.

For governmental fund financial statements, the amount of compensated absences recorded as a liability would be the amount expected to be paid using expendable available resources. These obligations for June 30, 2008, were paid prior to fiscal year end, and, therefore, no amount has been accrued in the governmental fund financial statements.

6. Interfund Receivables and Payables

Interfund balances at June 30, 2008, consisted of the following:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General fund	\$ 441,213	\$ -
Special revenue fund	-	314,087
Construction fund	-	112,703
Activity fund	<u>-</u>	<u>14,423</u>
	<u>\$ 441,213</u>	<u>\$ 441,213</u>

DAVIESS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

7. Leases

The Daviess County School District leases equipment and vehicles under cancelable operating leases. Commitments under operating lease agreements described above provide for minimum future rental payments as of June 30, 2008, as follows:

Year ending June 30:	
2009	\$ 131,431
2010	102,905
2011	53,754
2012	<u>32,818</u>
Total minimum rentals	\$ <u>320,908</u>

Rental expense for all operating leases, including contingent rentals on a per copy basis of \$177,714, totaled \$334,655 for the year ended June 30, 2008.

8. Defined Benefit Retirement Plans

KTRS Plan Description: Certified employees participate in the Kentucky Teachers' Retirement System (KTRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Commonwealth of Kentucky. KTRS provides retirement and post-retirement healthcare benefits to plan members. Kentucky Revised Statutes Chapter 161, sections 220 through 900, assigns the authority to establish and amend benefit provisions to the Board of Trustees of the Teachers' Retirement System of the State of Kentucky. KTRS issues a publicly available financial report that includes financial statements and required supplementary information for KTRS. That report may be obtained by writing to KTRS, 479 Versailles Road, Frankfort, KY 40601-3800, or by calling 502-573-3266.

KTRS Funding Policy: Plan members are required to contribute 9.855% of their annual creditable compensation. Except for employees covered by federal programs, the Commonwealth of Kentucky is required to contribute an actuarially determined rate, which is currently 13.105% of each employee's creditable compensation. The District is not required to contribute to the plan. Amounts contributed for employees covered by federal programs, and charged to such federal programs for the years ended June 30, 2008, 2007, and 2006 totaled \$416,029, \$393,299 and \$300,458, respectively, and equaled the required contributions for each year. The contribution requirements of plan members and the Commonwealth of Kentucky are established and may be amended by the Board of Trustees of the Teachers' Retirement System of the State of Kentucky.

KTRS On-behalf Payments: The District has recorded the 13.105% contributions made by the Commonwealth of Kentucky totaling \$5,835,946 in the district-wide financial statements.

DAVIESS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

8. Defined Benefit Retirement Plans, Continued

CERS Plan Description: Classified personnel participate in the County Employees Retirement System (CERS), a cost-sharing multiple-employer defined benefit pension plan administered by Kentucky Retirement Systems. CERS provides retirement, disability, and death benefits to plan members, and under certain circumstances, to beneficiaries. Kentucky Revised Statute section 61.645 assigns the authority to establish and amend benefit provisions to the Board of Trustees of Kentucky Retirement Systems. Kentucky Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601 or by calling 502-564-4646.

CERS Funding Policy: Plan members are required to contribute 5% of their annual creditable compensation and the District is required to contribute at an actuarially determined rate. The current rate is 16.17% of each employee's creditable compensation. The contribution requirements of plan members and the District are established and may be amended by the Board of Trustees of Kentucky Retirement Systems. Contributions to CERS for the years ended June 30, 2008, 2007, and 2006 totaled \$2,419,009, \$1,844,747, and \$1,580,470, respectively, and equaled the required contributions for each year.

9. On-Behalf Payments

Payments are made by the Commonwealth of Kentucky for fringe benefits on behalf of District employees. As directed by the Kentucky Department of Education, these on-behalf payments are not budgeted in the governmental funds by the District, but have been recorded as revenue and expense in the governmental funds, and are as follows:

Health and life insurance	\$ 7,227,541
KTRS contributions	5,835,946
Flex spending	1,030,488
State life insurance	<u>37,162</u>
	<u>\$ 14,131,137</u>

Payments made by the Commonwealth of Kentucky on behalf of the District for the Instructional Device Upgrade (IDU) project have been budgeted and recorded as revenue and expense in the governmental funds. This project provides funding to the state's public school districts to replace and purchase computers for use by students and teachers. Total payments budgeted and received by the District were \$412,510.

10. Contingencies

The District receives funding from Federal, state and local government agencies and from private contributions. These funds are to be used for designated purposes only. For government

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

10. Contingencies, Continued

agency grants, if based upon the grantors' review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

11. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

12. Commitments

During the year ended June 30, 2008, the District entered into various construction contracts totaling \$14,068,944 for construction of a new elementary school and multiple facility improvements. Remaining commitments under these contracts totaled \$4,315,779 at June 30, 2008, of which \$710,188 was included in accounts payable in the Construction Fund.

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

13. Transfers

Interfund transfers for the year ended June 30, 2008, consisted of the following:

Transfer in:						
Major Funds				Nonmajor Fund		
General Fund	Special Revenue Fund	Construction Fund	Debt Service Fund	Total		
<u>Transfer out:</u>						
Major Funds:						
General Fund	\$ -	\$ 237,847	\$ -	\$ 7,046	\$ 244,893	
Special Revenue Fund	51,863	-	-	-	51,863	
FSPK Building Fund	-	-	175,723	5,360,182	<u>5,535,905</u>	
					<u>5,832,661</u>	
Proprietary Fund:						
Food Service Fund	<u>80,809</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,809</u>	
	<u>\$ 132,672</u>	<u>\$ 237,847</u>	<u>\$ 175,723</u>	<u>\$ 5,367,228</u>	<u>\$ 5,913,470</u>	

Transfers are used to: 1) move revenues from the fund with collection authorization to the funds where budgetary authorizations exist for disbursement; 2) reimburse the general fund for costs incurred to support proprietary fund activity; and 3) to move unrestricted general fund revenues to programs accounted for in other funds for which the general fund provides subsidies or matching funds.

DAVIESS COUNTY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2008

	Budget		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Property taxes	\$ 17,986,275	\$ 18,116,275	\$ 18,094,490	\$ (21,785)
Utility taxes	3,000,000	3,600,000	3,655,424	55,424
Tuition and fees	95,000	105,000	106,244	1,244
Earnings on investments	525,000	670,000	718,864	48,864
Other local revenue	868,764	979,000	1,024,606	45,606
State aid	42,782,887	42,405,669	56,538,719	14,133,050
Federal aid	100,000	200,000	148,952	(51,048)
Total revenues	<u>65,357,926</u>	<u>66,075,944</u>	<u>80,287,299</u>	<u>14,211,355</u>
Expenditures:				
Instruction	43,154,294	44,640,505	54,067,110	(9,426,605)
Support services:				
Student	2,188,172	2,316,114	2,735,817	(419,703)
Instructional staff	2,038,801	1,981,349	2,114,953	(133,604)
District administration	4,396,975	4,412,414	695,672	3,716,742
School administration	5,622,714	5,542,513	6,534,554	(992,041)
Business	1,582,425	1,623,582	1,675,894	(52,312)
Plant operation and maintenance	6,111,908	6,768,069	6,527,811	240,258
Student transportation	6,148,487	6,378,043	7,637,346	(1,259,303)
Community services	184,238	229,571	247,041	(17,470)
Building renovations / additions	53,632	78,632	40,470	38,162
Total expenditures	<u>71,481,646</u>	<u>73,970,792</u>	<u>82,276,668</u>	<u>(8,305,876)</u>
Excess (deficit) of revenues over expenditures	<u>(6,123,720)</u>	<u>(7,894,848)</u>	<u>(1,989,369)</u>	<u>5,905,479</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	15,000	15,000	128,562	113,562
Proceeds from issuance of capital leases	-	1,773,838	1,831,648	57,810
Operating transfers in	120,000	132,672	132,672	-
Operating transfers out	(225,639)	(241,021)	(244,893)	(3,872)
Total other financing sources (uses)	<u>(90,639)</u>	<u>1,680,489</u>	<u>1,847,989</u>	<u>167,500</u>
Excess (deficit) of revenue and other financing sources over expenditures and other financing sources (uses)	<u>(6,214,359)</u>	<u>(6,214,359)</u>	<u>(141,380)</u>	<u>6,072,979</u>
Fund balance, June 30, 2007	<u>6,214,359</u>	<u>6,214,359</u>	<u>6,214,359</u>	<u>-</u>
Fund balance, June 30, 2008	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>6,072,979</u></u>	\$ <u><u>6,072,979</u></u>

NOTE: A reconciliation between the budgetary basis of accounting and generally accepted accounting principles is presented on page 46.

DAVISS COUNTY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

SPECIAL REVENUE FUND

Year Ended June 30, 2008

	Budget		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Other local revenue	\$ 362,838	\$ 375,970	\$ 491,735	\$ 115,765
State aid	4,519,136	5,381,750	5,330,309	(51,441)
Federal aid	5,392,478	5,453,535	5,579,812	126,277
Total revenues	<u>10,274,452</u>	<u>11,211,255</u>	<u>11,401,856</u>	<u>190,601</u>
Expenditures:				
Instruction	7,725,600	8,607,226	9,003,713	(396,487)
Support services:				
Student	492,826	508,805	563,602	(54,797)
Instructional staff	878,296	825,759	810,833	14,926
District administration	19,000	19,775	934	18,841
Plant operation and maintenance	-	3,565	-	3,565
Student transportation	627,590	675,329	480,236	195,093
Community services	756,779	756,780	760,835	(4,055)
Total expenditures	<u>10,500,091</u>	<u>11,397,239</u>	<u>11,620,153</u>	<u>(222,914)</u>
Excess (deficit) of revenues over (under) expenditur	<u>(225,639)</u>	<u>(185,984)</u>	<u>(218,297)</u>	<u>(32,313)</u>
Other financing sources (uses):				
Operating transfers in	225,639	237,847	237,847	-
Operating transfers out	-	(51,863)	(51,863)	-
Total other financing sources (uses)	<u>225,639</u>	<u>185,984</u>	<u>185,984</u>	<u>-</u>
Excess of revenue and other financing sources over expenditures and other financing sources (uses)	-	-	(32,313)	(32,313)
Fund balance, June 30, 2007	<u>133,726</u>	<u>133,726</u>	<u>133,726</u>	<u>133,726</u>
Fund balance, June 30, 2008	<u>\$ 133,726</u>	<u>\$ 133,726</u>	<u>\$ 101,413</u>	<u>\$ 101,413</u>

DAVISS COUNTY SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2008

Reconciliation Between the Budgetary Basis of Accounting and GAAP

A basis difference exists in the General Fund between the GAAP prescribed basis of accounting for governmental funds and the budgetary basis used by the District, relating to on-behalf payments for fringe benefits. Although required by GAAP, on-behalf payments are not budgeted in the governmental funds of the District, as directed by the Kentucky Department of Education. Line item differences are as follows:

	General Fund		Difference
	Budget Basis	GAAP Basis	
Revenues:			
State aid	\$ 42,405,669	\$ 56,536,806	\$ (14,131,137)
Expenditures:			
Instruction	\$ 44,640,505	\$ 54,691,495	\$ (10,050,990)
Support services:			
Student	2,316,114	2,792,328	(476,214)
Instructional staff	1,981,349	2,336,515	(355,166)
District administration	4,412,414	4,467,586	(55,172)
School administration	5,542,513	6,736,431	(1,193,918)
Business	1,623,582	1,829,183	(205,601)
Plant operations and maintenance	6,768,069	7,580,916	(812,847)
Student transportation	6,378,043	7,333,232	(955,189)
Community service	229,571	255,611	(26,040)
	\$ 73,892,160	\$ 88,023,297	\$ (14,131,137)

DAVIESS COUNTY SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

June 30, 2008

	SEEK Capital Outlay Fund	Debt Service Funds		Total Nonmajor Governmental Funds
		District	SFCC	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Total assets	\$ -	\$ -	\$ -	\$ -
LIABILITIES AND FUND BALANCES				
Current liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Total liabilities	-	-	-	-
Fund balances:				
Reserved for:				
Encumbrances	-	-	-	-
Unreserved	-	-	-	-
Total fund balances	-	-	-	-
Total liabilities and fund balances	\$ -	\$ -	\$ -	\$ -

DAVISS COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2008

	SEEK	Debt Service Funds		Total
	Capital Outlay Fund	District	SFCC	Nonmajor Governmental Funds
Revenues:				
Earnings on investments	\$ -	\$ -	\$ -	\$ -
Other local revenue	-	-	-	-
State aid	1,000,081	-	1,301,028	2,301,109
Total revenues	<u>1,000,081</u>	<u>-</u>	<u>1,301,028</u>	<u>2,301,109</u>
Expenditures:				
Plant operation and maintenance	1,000,081	-	-	1,000,081
New building construction	-	-	-	-
Building renovations / additions	-	-	-	-
Debt service:				
Principal	-	3,227,224	1,194,304	4,421,528
Interest	-	2,140,004	106,724	2,246,728
Total expenditures	<u>1,000,081</u>	<u>5,367,228</u>	<u>1,301,028</u>	<u>7,668,337</u>
Excess (deficit) of revenues over expenditures	<u>-</u>	<u>(5,367,228)</u>	<u>-</u>	<u>(5,367,228)</u>
Other financing sources (uses):				
Refunding bonds issued	-	2,960,000	-	2,960,000
Payment to bond refunding escrow	-	(2,907,162)	-	(2,907,162)
Discount on bonds issued	-	(31,788)	-	(31,788)
Bond issuance costs	-	(21,050)	-	(21,050)
Operating transfers in	-	5,367,228	-	5,367,228
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>5,367,228</u>	<u>-</u>	<u>5,367,228</u>
Net change in fund balances	-	-	-	-
Fund balance, June 30, 2007	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

DAVISS COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF ACTIVITY FUND RECEIPTS, DISBURSEMENTS, AND DUE TO

Year Ended June 30, 2008

	Cash June 30, 2007	Receipts	Disbursements	Cash June 30, 2008	Accounts Receivable	Inventory	Accounts Payable	Due to Student Groups June 30, 2008
Apollo High	\$ 295,955	\$ 1,161,043	\$ 1,169,490	\$ 287,508	\$ 4,342	\$ 23,780	\$ 2,693	\$ 312,937
Audubon Elementary	19,361	108,204	100,447	27,118	-	-	1,400	25,718
Beacon Central	7,798	23,718	22,695	8,821	-	-	-	8,821
Burns Elementary	13,196	71,520	73,514	11,202	152	181	-	11,535
Burns Middle	96,620	345,245	337,412	104,453	300	4,975	-	109,728
College View Middle	74,023	372,846	368,904	77,965	-	116	6,377	71,704
Country Heights Elementary	46,366	119,403	122,383	43,386	-	-	-	43,386
Daviness County High	394,825	1,726,753	1,833,803	287,775	2,128	1,636	16,258	275,281
Daviness County Middle	76,968	282,201	294,779	64,390	-	-	-	64,390
Deer Park Elementary	33,245	77,754	86,811	24,188	-	509	49	24,648
East View Elementary	70,423	134,401	133,787	71,037	-	541	-	71,578
Highland Elementary	85,177	258,507	243,338	100,346	-	5,208	-	105,554
Meadow Lands Elementary	10,163	79,027	78,203	10,987	-	94	-	11,081
Sorgho Elementary	14,128	87,877	68,719	33,286	-	-	-	33,286
Tamarack Elementary	44,629	132,811	150,782	26,658	129	-	52	26,735
Utica Elementary	29,321	72,508	64,611	37,218	-	-	-	37,218
West Louisville Elementary	59,616	76,977	75,177	61,416	-	368	-	61,784
Whitesville Elementary	23,089	81,734	90,588	14,235	-	149	1,150	13,234
	<u>\$ 1,394,903</u>	<u>\$ 5,212,529</u>	<u>\$ 5,315,443</u>	<u>\$ 1,291,989</u>	<u>\$ 7,051</u>	<u>\$ 37,557</u>	<u>\$ 27,979</u>	<u>\$ 1,308,618</u>

DAVISS COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITY FUND RECEIPTS, DISBURSEMENTS, AND DUE TO

APOLLO HIGH SCHOOL

Year Ended June 30, 2008

	Cash June 30, 2007	Receipts	Disbursements	Transfers	Cash June 30, 2008	Accounts Receivable	Inventory	Accounts Payable	Due to Student Groups June 30, 2008
General Fund	\$ 1,069	\$ 274,251	\$ 270,540	\$ (1,512)	\$ 3,268	\$ -	\$ -	\$ -	\$ 3,268
Office	8,921	155	25,303	16,835	608	-	-	-	608
Stipend TRF	-	-	14,340	14,340	-	-	-	-	-
AHS Alumni	10	-	-	-	10	-	-	-	10
AP Exams	477	3,850	3,646	-	681	-	-	-	681
Banquet	-	2,200	1,166	(1,034)	-	-	-	-	-
Band Uniforms	107	-	-	-	107	-	-	-	107
Graduation	-	2,555	10,538	7,983	-	-	-	-	-
Prom	-	7,320	7,137	-	183	-	-	-	183
Computer	1,251	-	-	-	1,251	-	-	-	1,251
Contingency	54,634	300	19,836	16,318	51,416	-	-	-	1,251
Fundraiser	-	19,222	3,052	(11,170)	5,000	-	-	-	51,416
Guidance	100	2,921	2,579	1,871	2,313	-	-	-	5,000
International Baccal	731	6,369	6,290	605	1,415	-	-	-	2,313
Internatural	19	220	201	-	38	-	-	-	1,415
Interest	-	14,311	30	(14,281)	-	-	-	-	38
Locks	94	50	-	-	144	-	-	-	-
Necessities	244	19	-	-	263	-	-	-	144
Over Your Head	1,052	467	705	57	871	-	2,142	-	263
Project Graduation	-	3,962	5,007	1,100	55	-	-	-	3,013
Renaissance	-	2,693	7,430	6,161	1,424	-	-	-	55
Challenger	455	2,167	2,989	391	24	-	-	-	1,424
Special Topics	560	-	-	-	560	-	-	-	24
Video Yearbook	3,621	1,516	2,409	-	2,728	-	-	-	560
Career Options	100	-	37	88	151	-	-	-	2,728
Yearbook	12,009	12,716	7,323	(249)	17,153	-	-	-	151
Student Assistance	355	783	809	(25)	304	-	-	-	17,153
Student Vending	5,456	5,352	10,571	691	928	-	-	-	304
Adult Vending	697	2,958	4,227	572	-	11	-	-	928
Adult Script	449	4,335	5,317	533	-	-	-	-	11
Athletic Director	-	-	1,137	1,137	-	-	-	-	-
Boys Basketball	964	27,190	30,366	9,312	7,100	-	-	80	-
Athletic Booster	1,205	59,770	35,222	(24,754)	999	-	1,730	-	7,020
Baseball/LT	15,921	20,542	12,562	(19,500)	4,401	-	-	-	2,729
Baseball	-	1,261	25,516	25,609	1,354	-	-	-	4,401
Boys Cross Country	-	4,572	6,388	2,488	672	-	-	-	1,354
Girls Cross Country	-	2,806	3,502	696	-	-	-	-	672
Girls Cross Country L/T	521	-	564	988	945	-	-	-	945

DAVISS COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITY FUND RECEIPTS, DISBURSEMENTS, AND DUE TO

APOLLO HIGH SCHOOL

Year Ended June 30, 2008

	Cash June 30, 2007	Receipts	Disbursements	Transfers	Cash June 30, 2008	Accounts Receivable	Inventory	Accounts Payable	Due to Student Groups June 30, 2008
Cheerleaders	3,200	12,958	14,580	4,579	6,157	-	-	-	6,157
E-Gals	6,559	-	2,686	-	3,873	-	-	-	3,873
Eaglettes	-	9,309	7,981	614	1,942	-	-	-	1,942
Football	-	41,234	64,076	22,842	-	-	-	-	-
Field Maintenance	-	-	178	178	-	-	-	-	-
General Athletics	-	11,259	16,905	9,042	3,396	3,912	-	-	7,308
Girls Basketball	-	5,265	15,453	12,000	1,812	415	-	-	2,227
Girls Golf	-	85	2,655	2,710	140	-	-	-	140
Boys Golf	-	1,322	3,734	3,683	1,271	-	-	-	1,271
Gate	-	85,462	10,334	(75,128)	-	-	-	-	-
Girls Track	-	980	5,655	4,675	-	-	-	-	-
Girls Track L/T	1,342	-	550	(777)	15	-	-	-	15
Softball	4,683	15,635	25,665	5,395	48	-	-	-	48
Softball L/T	7,150	7,889	12,230	374	3,183	-	-	-	3,183
Girls Soccer	762	9,288	12,131	3,448	1,367	-	-	-	1,367
Girls Soccer L/T	1,649	100	1,490	-	259	-	-	-	259
Boys Soccer	1,095	1,510	10,109	7,504	-	-	-	-	-
Boys Soccer L/T	2,692	9,482	2,381	(4,715)	5,078	-	-	-	5,078
Sports Programs	-	430	811	381	-	-	-	-	-
Supply Store	810	13,125	12,378	(1,056)	501	-	19,269	-	19,770
Swim Team/G&B	-	1,584	4,273	2,895	206	-	-	-	206
Tennis/B&G	-	1,092	4,202	3,110	-	-	-	-	-
District Tourney Girls	-	2,530	1,753	(777)	-	-	-	-	-
District Tourney Boys	-	-	121	121	-	-	-	-	-
Boys Track	-	2,463	7,341	5,481	603	-	-	-	603
Holiday Tournament	-	2,127	1,469	(658)	-	-	-	-	-
Athletic Vending	-	1,616	-	(1,616)	-	4	-	-	4
Boys Track L/T	500	-	-	(500)	-	-	-	-	-
Volleyball	5,108	26,656	26,462	(5,299)	3	-	-	-	3
Wrestling	-	800	4,438	3,641	3	-	-	-	3
Regional Tourney	-	17,453	15,366	(2,087)	-	-	-	-	-
Semi-State Tourney	-	4,699	4,549	(150)	-	-	-	-	-
Art Club	88	-	-	-	88	-	-	-	88
Beta	942	4,742	5,133	(70)	481	-	-	-	481
Chess	96	-	-	-	96	-	-	-	96
Drama	962	4,157	4,201	(5)	913	-	-	-	913
Council For Ex Child	482	2,813	2,153	(75)	1,067	-	-	-	1,067
FFA Alumni	3,429	2,703	1,000	-	5,132	-	-	-	5,132
FBLA	1,109	2,792	3,507	(2)	392	-	-	-	392

DAVISS COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITY FUND RECEIPTS, DISBURSEMENTS, AND DUE TO

APOLLO HIGH SCHOOL

Year Ended June 30, 2008

	Cash June 30, 2007	Receipts	Disbursements	Transfers	Cash June 30, 2008	Accounts Receivable	Inventory	Accounts Payable	Due to Student Groups June 30, 2008
FCA	-	200	246	46	-	-	-	-	-
FFA	5,208	32,833	33,300	897	5,638	-	-	-	6,277
FCCLA	761	3,584	3,810	(314)	221	-	639	-	221
Habitat	125	1,770	1,700	-	195	-	-	-	195
Academic Team	861	3,189	3,864	(59)	127	-	-	-	127
Spanish Club	29	204	192	-	41	-	-	-	41
Key Club	364	209	465	(35)	73	-	-	-	73
National Honor Society	706	1,257	826	(25)	1,112	-	-	-	1,112
PTSO	16	1,600	1,504	-	112	-	-	-	112
ROTC Booster	2,104	3,850	5,136	-	818	-	-	-	818
Student Council	2,914	3,370	5,101	2,073	3,256	-	-	-	3,256
Champions	304	277	158	-	423	-	-	-	423
Spirit	511	5,484	5,278	-	717	-	-	-	717
Coed-Y	78	-	-	-	78	-	-	-	78
Young Democrats	18	-	-	-	18	-	-	-	18
TSA	897	3,920	2,568	-	2,249	-	-	-	2,249
STLP	75	-	-	-	75	-	-	-	75
ROTC Activities	6,773	16,628	18,998	589	4,992	-	-	-	4,992
ROTC Maintenance	1,075	550	-	-	1,625	-	-	-	1,625
ROTC Cadet	355	1,163	-	-	1,518	-	-	-	1,518
ROTC Cadet Meals	1,567	-	420	(230)	917	-	-	-	917
ROTC Uniform	1,844	-	643	(105)	1,096	-	-	-	1,096
AG	2,930	-	5,465	2,535	-	-	-	-	-
Art	-	-	1,909	2,209	300	-	-	-	300
Band	8,829	50,599	58,326	2,121	3,223	-	-	-	3,223
Business	-	-	843	2,420	1,577	-	-	-	1,577
Chorus	13	6,240	6,670	551	134	-	-	-	134
Driver Ed	10	-	3,925	3,964	49	-	-	-	49
English	-	1,607	2,280	964	291	-	-	-	291
Freshman Team	-	-	1,850	1,850	-	-	-	-	-
Sophomore Team	-	-	2,000	2,000	-	-	-	-	-
Junior Team	-	-	2,870	2,870	-	-	-	-	-
Fine Arts	-	-	880	911	31	-	-	-	31
Senior Team	-	-	1,952	1,952	-	-	-	-	-
Foreign Language	-	2,208	3,613	1,405	-	-	-	-	-
FMD	47	-	-	(47)	-	-	-	-	-
Christmas Play	182	227	110	(52)	247	-	-	-	247
Greenhouse	5,587	4,763	4,821	196	5,725	-	-	-	5,725
Consumer Science	-	21	975	1,704	750	-	-	-	750

DAVISS COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITY FUND RECEIPTS, DISBURSEMENTS, AND DUE TO

APOLLO HIGH SCHOOL

Year Ended June 30, 2008

	Cash June 30, 2007	Receipts	Disbursements	Transfers	Cash June 30, 2008	Accounts Receivable	Inventory	Accounts Payable	Due to Student Groups June 30, 2008
Math	941	1,120	1,478	877	1,460	-	-	-	1,460
MMD	58	3,257	5,152	2,085	248	-	-	-	248
Orchestra	898	12,075	12,984	468	457	-	-	-	457
Health/PE	-	34	-	684	718	-	-	-	718
ROTC	-	-	265	265	-	-	-	-	-
Science	2,574	-	3,720	2,647	1,501	-	-	3	1,498
Special Services	-	-	610	610	-	-	-	-	-
Social Studies	-	5,027	5,925	1,193	295	-	-	-	295
Tech-Ed	-	150	150	636	636	-	-	-	636
Library Copy Machine	109	67	962	1,085	299	-	-	-	299
Library Fines	-	899	351	95	643	-	-	-	643
Audio Visual	331	-	461	562	432	-	-	-	432
Poster Printer	236	5	275	297	263	-	-	-	263
Student Fees	-	180,119	100,191	(79,928)	-	-	-	-	-
Lost/Damaged Books	-	1,730	1,365	-	365	-	-	-	365
Elearning Repair Fine	-	9,169	8,829	(29)	311	-	-	-	311
Latham Scholarship	11,466	-	1,000	441	10,907	-	-	-	10,907
Eagle Family	164	1,000	1,000	6	170	-	-	-	170
Coke Scholarship	33,287	3,500	1,300	1,176	36,663	-	-	-	36,663
Pruden Scholarship	23,689	600	600	857	24,546	-	-	-	24,546
Satterly Scholarship	15,114	2,406	1,000	575	17,095	-	-	-	17,095
Eagle High Trust	9,225	3,739	4,485	-	8,479	-	-	2,610	5,869
	\$ 295,955	\$ 1,161,043	\$ 1,169,490	\$ -	\$ 287,508	\$ 4,342	\$ 23,780	\$ 2,693	\$ 312,937

DAVISS COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITY FUND RECEIPTS, DISBURSEMENTS, AND DUE TO

DAVISS COUNTY HIGH SCHOOL

Year Ended June 30, 2008

	Cash June 30, 2007	Receipts	Disbursements	Transfers	Cash June 30, 2008	Accounts Receivable	Inventory	Accounts Payable	Due to Student Groups June 30, 2008
General Fund	\$ 22,394	\$ 391,416	\$ 409,379	\$ 652	\$ 5,083	\$ -	\$ -	\$ 6,530	\$ (1,447)
Office Supplies	1,055	-	12,300	11,245	-	-	-	-	-
Activity Fees	11,064	281,738	188,089	(104,713)	-	-	-	-	-
Laptop	85	3,432	3,820	303	-	-	-	-	-
Misc. Maintenance	-	-	823	1,500	677	-	-	-	677
Misc. Textbooks	461	-	575	114	-	-	-	-	-
Student Fees/\$24	8,314	270	21,169	12,585	-	-	-	-	-
Textbooks/State	108	4,380	6,554	2,115	49	-	-	-	49
Travel	4,487	-	1,558	-	2,929	-	-	-	2,929
Vending	6,605	12,371	22,532	3,556	-	1,185	-	-	1,185
Faculty Vending	4,751	4,127	5,740	(1,595)	1,543	620	-	-	2,163
Picture Commission	-	7,929	-	(7,929)	-	-	-	-	-
Magazine	8,669	36,164	23,664	(11,169)	10,000	-	-	-	10,000
Nickel War	6,304	5,786	5,911	(370)	5,809	-	-	-	5,809
Brick Courtyard	650	60	-	-	710	-	-	-	710
Athletics General	-	103,768	48,705	(55,063)	-	-	-	-	-
Athletic Training	655	-	3,678	3,762	739	-	-	-	739
Athletic Boosters	4,925	103,178	63,335	(39,768)	5,000	-	1,636	-	6,636
Baseball Signs	5,988	5,850	7,732	(808)	3,298	-	-	100	3,198
Baseball	-	7,898	15,020	7,122	-	-	-	500	(500)
Baseball - District	1,557	-	-	(1,557)	-	-	-	-	-
Basketball Camp Girls	1,600	-	935	(665)	-	-	-	-	-
Girls BKB Tournament	-	9,469	7,221	(2,248)	-	-	-	-	-
Basketball - Boys	790	6,851	18,047	11,330	924	-	-	-	924
Basketball - Girls	797	6,460	20,018	13,015	254	-	-	-	254
Panther Development	248	5,315	5,424	-	139	-	-	-	139
Basketball Camp Boys	-	4,418	1,600	-	2,818	-	-	-	2,818
BKB Gym Signs	-	7,100	1,450	(5,650)	-	-	-	-	-
CC/TR Invitionals	4,008	5,514	8,565	(169)	788	-	-	-	788
CC/Track Boys	2,734	6,464	15,254	7,088	1,032	-	-	-	1,032
Cross Country - Girls	657	3,736	7,218	3,026	201	-	-	-	201
Track Girls	1,109	2,934	5,718	4,186	2,511	-	-	-	2,511
Cheerleaders	6,983	54,269	63,167	11,548	9,633	-	-	-	9,633
Field Maintenance	-	750	17,009	16,259	-	-	-	-	-
Football	2,782	37,825	61,851	22,351	1,107	-	-	1,000	107
Golf Tournament	-	2,853	1,557	(1,296)	-	-	-	-	-
Golf Boys	-	900	4,296	3,396	-	-	-	-	-

DAVISS COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITY FUND RECEIPTS, DISBURSEMENTS, AND DUE TO

DAVISS COUNTY HIGH SCHOOL

Year Ended June 30, 2008

	Cash June 30, 2007	Receipts	Disbursements	Transfers	Cash June 30, 2008	Accounts Receivable	Inventory	Accounts Payable	Due to Student Groups June 30, 2008
Golf Girls	1,443	-	2,712	1,723	454	-	-	-	454
Pantherettes	5,814	20,211	17,694	(679)	7,652	-	-	-	7,652
Soccer Tournament	-	3,955	2,999	(956)	-	-	-	-	-
Soccer Boys	105	4,070	10,413	6,496	258	-	-	-	258
Soccer Girls	-	13,320	18,458	5,138	-	-	-	-	-
Softball	2,680	1,311	12,518	8,527	-	-	-	500	(500)
Baseball Florida	-	9,100	10,913	1,813	-	-	-	-	-
Soccer Signs Boys	783	3,200	2,100	(106)	1,777	-	-	-	1,777
State Tournament Exp.	144	1,246	8,706	7,316	-	-	-	-	-
Swimming	1,212	2,782	4,646	2,320	1,668	-	-	-	1,668
Tennis Boys	422	514	1,498	1,000	438	-	-	-	438
Tennis Girls	135	3,210	3,859	1,329	815	-	-	-	815
Volleyball	3,654	6,167	12,362	4,695	2,154	-	-	-	2,154
Wrestling	2,047	4,305	10,500	4,148	-	-	-	-	-
District Basketball - Boys	-	13,519	8,333	(5,186)	-	-	-	-	-
District Basketball - Girls	-	6,488	4,177	(2,311)	-	-	-	-	-
Regional Basketball - Boys	-	34,220	26,937	(7,283)	-	-	-	-	-
Cookie Dough Sales	-	6,147	3,688	(2,459)	-	-	-	-	-
4-H Club	50	-	-	(50)	-	-	-	-	-
Anime Club	18	-	-	-	18	-	-	-	18
Art Club	545	-	179	-	366	-	-	-	366
Beta Club	874	1,500	1,671	-	703	-	-	-	703
Champions Against Christian Stu. Union	-	88	154	66	-	-	-	-	-
Chess Club	134	-	-	-	134	-	-	-	134
Dranna Club	52	180	208	-	24	-	-	-	24
FBLA	1,689	3,680	4,096	-	1,273	-	-	301	972
FCCLA	1,391	2,993	4,281	7	110	-	-	-	110
Fellow Christian	891	1,636	1,948	-	579	-	-	-	579
FFA	195	-	-	-	195	-	-	-	195
Fish & Game Club	300	38,326	37,391	(1,125)	110	-	-	-	110
AP Econ Club	104	-	-	-	104	-	-	-	104
French Club	-	1,308	1,388	80	-	-	-	-	-
Future Educator Association	234	1,431	1,947	417	-	-	-	-	-
JR. Civitan Club	22	-	-	-	135	-	-	-	135
JR. Civitan Club	266	-	-	-	22	-	-	-	22
Key Club	272	1,422	1,024	(126)	266	-	-	-	266
JR Classical League	25	7,506	7,393	-	544	-	-	-	544
National Honor Society	1,373	3,836	4,384	-	138	-	-	-	138
					825	-	-	-	825

DAVISS COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITY FUND RECEIPTS, DISBURSEMENTS, AND DUE TO

DAVISS COUNTY HIGH SCHOOL

Year Ended June 30, 2008

	Cash June 30, 2007	Receipts	Disbursements	Transfers	Cash June 30, 2008	Accounts Receivable	Inventory	Accounts Payable	Due to Student Groups June 30, 2008
PEP Club	973	2,108	1,352	-	1,729	-	-	-	1,729
Quill & Scroll Club	148	148	396	100	-	-	-	-	-
Quiz Bowl Recycle Club	452	272	652	-	72	-	-	-	72
SADD	444	-	-	-	444	-	-	-	444
Latin Dance Troupe	-	2,332	2,116	(216)	-	-	-	-	-
Spanish Club	4,324	889	3,469	(438)	1,306	-	-	-	1,306
Spanish National Honor	-	3,936	3,940	393	389	-	-	-	389
Student Council	1,196	1,777	1,781	(361)	831	-	-	-	831
Young Democrats	-	40	18	-	22	-	-	-	22
Young Republicans	299	-	283	-	16	-	-	-	16
Co-Ed Y Club	122	3,005	2,941	-	186	-	-	-	186
Paintball Club	26	-	-	-	-	-	-	-	-
Ag Mechanics	-	919	4,705	(26)	-	-	-	-	-
AG/IND Tech Academy	1,443	-	4,438	4,500	714	-	-	-	714
Business Ed Academy	-	4	1,959	2,063	2,700	-	-	-	2,700
Career Prep	252	-	-	38	108	-	-	-	108
Construction	-	14,790	14,711	882	290	-	-	-	290
Fine Arts/Mass Comm.	2,129	8,255	23,705	19,391	961	-	-	-	961
Guidance	15,977	13,327	24,716	(1,347)	6,070	-	-	-	6,070
Health Wellness	847	9,326	14,956	5,779	3,241	-	-	-	3,241
Weights	-	-	-	-	996	-	-	-	996
Horticulture	2,934	7,562	8,577	622	-	-	-	2,000	(2,000)
Liberal Arts Academy	7,015	1,081	8,881	15,246	2,541	-	-	-	2,541
Intro to Education	96	-	30	-	14,461	-	-	-	14,461
Library	4,031	2,335	801	170	66	-	-	-	66
Math/Science Academy	1,112	1,311	11,262	8,839	5,735	-	-	-	5,735
JRROTC Uniform Maint	-	3,339	3,108	(231)	-	-	-	-	-
JRROTC Maint/Support	1,284	1,213	161	(1,236)	1,100	-	-	289	811
JRROTC Boosters	6,594	15,306	17,477	1,457	5,880	-	-	-	5,880
Academic Team	3,954	20	3,763	2,000	2,211	-	-	-	2,211
Band Trip	-	65,629	69,826	4,197	-	-	-	-	-
Band Uniforms	-	-	-	7,013	7,013	-	-	-	7,013
Band Scholarship Fund	149	-	-	(149)	-	-	-	-	-
Band Boosters	250	122,600	130,845	10,175	2,180	-	-	1,377	803
Band Winterguard	-	4,891	3,884	(240)	767	-	-	-	767
Big Red Machine	-	4,576	6,173	1,597	-	-	-	-	-
Band Truck Fund	9,100	2,955	10,439	-	1,616	-	-	-	1,616
Class of 2009	-	-	50	50	-	-	-	-	-

DAVISS COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITY FUND RECEIPTS, DISBURSEMENTS, AND DUE TO

DAVISS COUNTY HIGH SCHOOL

Year Ended June 30, 2008

	Cash June 30, 2007	Receipts	Disbursements	Transfers	Cash June 30, 2008	Accounts Receivable	Inventory	Accounts Payable	Due to Student Groups June 30, 2008
Class of 2007	1,255	-	1,300	45	-	-	-	-	-
Class of 2008	-	1,840	1,826	53	67	-	-	-	67
Class of 2010	-	-	54	54	-	-	-	-	-
Drama	3,535	3,804	5,510	-	1,829	-	-	-	1,829
Class of 2011	-	-	50	50	-	-	-	-	-
Drama Musical	-	3,369	2,325	-	1,044	-	-	-	-
GRAD/Sr. Activities	1,204	300	10,954	9,450	-	-	-	-	1,044
Target Donation	-	1,348	-	(1,348)	-	-	-	-	-
Prom	8,453	9,436	10,458	-	7,431	-	-	-	7,431
Renaissance Rewards	11,273	1,095	18,249	7,013	1,132	-	-	-	1,132
T-Shirts	5,715	11,274	16,886	3,792	3,895	-	-	-	3,895
Yearbook - Echoes	27,766	62,140	56,449	(1,590)	31,867	-	-	-	31,867
Nick Brown Scholarship	3,200	100	1,000	-	2,300	-	-	-	2,300
Brad Smith Scholarship	5,063	-	500	-	4,563	-	-	-	4,563
S Rodney Scholarship	807	-	1,000	193	-	-	-	-	-
Fulkerson Scholarship	509	-	500	(9)	-	-	-	-	-
Robin Sweeney	5,100	-	-	-	5,100	-	-	-	5,100
Contingency Fund	108,842	-	-	(30,613)	78,229	-	-	-	78,229
Petty Cash	100	100	100	-	100	-	-	-	100
Athletic Cash Boxes	3,000	3,000	3,000	-	3,000	-	-	-	3,000
First County High Bank	7,198	14,105	13,736	-	7,567	323	-	3,661	4,229
	\$ 394,825	\$ 1,726,753	\$ 1,833,803	\$ -	\$ 287,775	\$ 2,128	\$ 1,636	\$ 16,258	\$ 275,281

DAVIESS COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2008

<u>Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Fund Number</u>	<u>Project Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>					
Passed through Kentucky Department of Agriculture:					
Food Donation	10.550	057502-02	51	N/A	\$ <u>400,142</u>
Passed through Kentucky Department of Education:					
Child Nutrition Cluster:					
School Breakfast Program	10.553	2037	51	2037	744,504
National School Lunch Program	10.555	2057	51	2057	1,863,301
Summer Food Service Program for Children	10.559	2097	51	2097	<u>242,450</u>
					<u>2,850,255</u>
Total U.S. Department of Agriculture					\$ <u>3,250,397</u>
<u>U. S. Department of Defense</u>					
Direct Program:					
ROTC	12.000	5047	2	5047	\$ 16,327
ROTC	12.000	5048	2	5048	<u>98,000</u>
Total U. S. Department of Defense					\$ <u>114,327</u>
<u>U. S. Department of Labor</u>					
Passed through Kentucky Department of Education:					
Jobs for Kentucky Graduates	17.250	3827	2	3828	\$ <u>23,500</u>
Total U.S. Department of Labor					\$ <u>23,500</u>
<u>U. S. Department of Education</u>					
Direct Program:					
Fund for the Improvement of Education	84.215F	Q215F050067	2	5327F	\$ 41,800
Fund for the Improvement of Education	84.215F	Q215F050068	2	5328F	<u>83,777</u>
					<u>125,577</u>
Passed through Kentucky Department of Education:					
Title I - Grants to Local Educational Agencies	84.010	351-07-01	2	3107	267,819
Title I - Grants to Local Educational Agencies	84.010	351-08-01	2	3108	1,099,485
Title I - Parent Involvement	84.010	351-07-01	2	3107M	902
Title I - Parent Involvement	84.010	351-08-01	2	3108M	<u>14,692</u>
					<u>1,382,898</u>
Migrant Education - State Grant Program	84.011	352-07-02	2	3117	68,291
Migrant Education - State Grant Program	84.011	352-08-02	2	3118	<u>52,813</u>
					<u>121,104</u>

DAVIESS COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED

Year Ended June 30, 2008

<u>Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Fund Number</u>	<u>Project Number</u>	<u>Federal Expenditures</u>
<u>U. S. Department of Education, Continued</u>					
Passed through Kentucky Department of Education, Continued:					
Special Education Cluster:					
Special Education - Grants to States:					
IDEA, Part B	84.027	581-07-02	2	3377	62,021
IDEA, Part B	84.027	581-08-02	2	3378	1,986,323
IDEA, Part B Extended School	84.027	581-07-02	2	3377E	24,886
IDEA, Part B Extended School	84.027	581-08-02	2	3378E	328
IDEA Discretionary - GRR Educational Co-op	84.027	3367	2	3367	96,953
IDEA Discretionary - GRR Educational Co-op	84.027	3368	2	3368	536,584
Special Education - Preschool Grants:					
IDEA Preschool	84.173	587-07-02	2	3437	76,972
IDEA Preschool	84.173	587-08-02	2	3438	61,004
					<u>2,845,071</u>
Vocational Education - Basic Grants to States:					
Perkins - Part C	84.048	462-07-32	2	3487	4,263
Perkins - Part C	84.048	462-08-32	2	3488	83,444
Perkins - Carryover	84.048	462-07-32	2	3487A	2,653
					<u>90,360</u>
Safe and Drug-Free Schools and Communities:					
Title IV, Drug Free Schools	84.186	590-07-02	2	4067	1,726
Title IV, Drug Free Schools	84.186	590-08-02	2	4068	40,496
					<u>42,222</u>
State Grants for Innovative Programs:					
Title V - Part A No Child Left Behind	84.298	53307-02	2	3347	27
Title V - Part A No Child Left Behind	84.298	53308-02	2	3348	17,378
					<u>17,405</u>
Education Technology - State Grants:					
Title II - Technology	84.318	73606-02	2	4256	9,940
Title II - Technology	84.318	73607-02	2	4257	12,592
Title II - Technology	84.318	73608-02	2	4258	9,001
Title II - Competitive Award	84.318	73607-02	2	4257C	90,721
Enhancing Ed. Through Technology	84.318	73606-02	2	42568	137
					<u>122,391</u>
English Language Acquisition Grants:					
Title III Limited English Proficiency	84.365	52008-02	2	3458	17,552
Improving Teacher Quality:					
Title II	84.367	71007-02	2	4017	70,331
Title II	84.367	71008-02	2	4018	406,126
					<u>476,457</u>
Grants for State Assessments and Related Activities	84.369	3977	2	3977	4,048
Passed through Kentucky Workforce Development Cabinet:					
Adult Education State Grant Program	84.002	3718	2	3718	26,352

DAVIESS COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONCLUDED

Year Ended June 30, 2008

<u>Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Fund Number</u>	<u>Project Number</u>	<u>Federal Expenditures</u>
<u>U. S. Department of Education, Continued</u>					
Passed through Green River Regional Educational Co-op:					
Fund for the Improvement of Education:					
Smaller Learning Grant	84.215	5187	2	5187	62,332
Smaller Learning Grant	84.215	5188	2	5188	80,152
					<u>142,484</u>
Passed through Kentucky Department of Juvenile Justice:					
Title I Program for Neglected and Delinquent Children	84.013	3137	2	3137	1,562
Title I Program for Neglected and Delinquent Children	84.013	3138	2	3138	35,655
					<u>37,217</u>
Total U. S. Department of Education					<u>\$ 5,451,138</u>
Total Federal Awards					<u>\$ 8,839,362</u>

Note A: The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Daviess County School District and is presented on the accrual basis of accounting. The information is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B: Nonmonetary assistance for the Food Distribution Program (10,550) is reported in the schedule at the fair market value of the commodities received.

**REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Members of the Board of Education
Daviness County School District
Owensboro, Kentucky

Kentucky State Committee for School District Audits
Frankfort, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Daviness County School District (District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 09, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendices *I through III of the Independent Auditors' Contract*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that

Internal Control Over Financial Reporting, Continued

there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Finding 08-01 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Education, the Kentucky Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Riney, Hancock + Co., PSC

Owensboro, Kentucky
October 9, 2008

**REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board of Education
Daviess County School District
Owensboro, Kentucky

Kentucky State Committee for School District Audits
Frankfort, Kentucky

Compliance

We have audited the compliance of the Daviess County School District (District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2008. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendices I through III of the Independent Auditors' Contract*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Education, the Kentucky Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Riney, Hancock + Co., PSC

Owensboro, Kentucky
October 9, 2008

DAVISS COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

A. Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the financial statements of the Daviess County School District (District).
2. A control deficiency relating to the audit of the financial statements is reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. The condition is not considered to be a material weakness.
3. No instances of noncompliance material to the financial statements of the District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the District expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB circular A-133 are reported in Part C of this Schedule.
7. The programs tested as major programs include:
Special Education Cluster:
84.027 IDEA, Part B
84.173 IDEA Preschool
8. The threshold used for distinguishing between Types A and B programs was \$300,000.
9. The District was determined to be a low-risk auditee.

B. Findings - Financial Statements Audit

Finding 08-01

Significant Deficiencies:

Due to a limited number of personnel employed in the accounting area, incompatible work functions are often performed by the same individual and a high degree of trust is necessitated. This lack of segregation of duties increases the opportunity for misappropriation of District assets, and weakens the District's ability to detect possible misappropriations. Specifically, bookkeepers at individual schools perform most accounting functions for the activity funds and after school program directors have responsibility for student attendance records and for billing and collection of student fees.

DAVISS COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

B. Findings - Financial Statements Audit, Continued

Recommendation

Job responsibilities within the accounting area should be continually reviewed and, where feasible, duties should be switched to provide better segregation of incompatible work functions. For the after school program, revenues should be reviewed analytically using attendance data.

Management Response

In the area of school bookkeepers and after school program directors, it is not practical or cost effective to hire additional staff to separate accounting functions at all locations. Adequate internal control procedures as defined by local policy and state law are available and enforced in these areas. Fidelity bond coverage was carried during the fiscal year.

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None

DAVIESS COUNTY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2008

07-01 Segregation of Duties

Due to a limited number of personnel employed in the accounting area, incompatible work functions are often performed by the same individual and a high degree of trust is necessitated. This lack of segregation of duties increases the opportunity for misappropriation of District assets, and weakens the District's ability to detect possible misappropriations. Specifically, bookkeepers at individual schools perform most accounting functions and after school program directors have responsibility for student attendance records and for billing and collection of student fees.

Status

This finding continues to be disclosed as a significant deficiency for the year ended June 30, 2008.

**COMMUNICATION OF
SIGNIFICANT DEFICIENCIES**

Members of the Board of Education
Daviness County School District
Owensboro, Kentucky

Kentucky State Committee for School District Audits
Frankfort, Kentucky

In planning and performing our audit of the financial statements of the Daviness County School District (District) as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Due to a limited number of personnel employed in the accounting area, incompatible work functions are often performed by the same individual and a high degree of trust is necessitated. This lack of segregation of duties increases the opportunity for misappropriation of District assets, and weakens the District's ability to detect possible misappropriations. Specifically, bookkeepers at individual schools perform most accounting functions for the activity funds and after school program directors have responsibility for student attendance records and for billing and collection of student fees.

This communication is intended solely for the information and use of management, the Board of Education, the Kentucky Department of Education, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Owensboro, Kentucky
October 9, 2008

Riney, Hancock + Co, PSC